达飞控股
Dafy Holdings

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

ANNUAL REPORT 2018
年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Gao Yunhong *(Chairman)*
(appointed on 5 January 2018)
Mr. Lu Xin (appointed on 18 July 2018)
Ms. Feng Xuelian (appointed on 24 January 2019)
Mr. Ng Kin Siu *(Chief executive officer)*
Mr. Qi Gang (appointed on 5 January 2018 and resigned on 24 January 2019)
Ms. Zhu Wenhui (appointed on 5 January 2018 and resigned on 18 July 2018)
Mr. Chung Yuk Ming Christopher
(resigned on 5 January 2018)
Mr. Ip Kong Ling
(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 (resigned on 12 January 2018)

COMPANY SECRETARY

Mr. Yu Tsz Ngo

HONG KONG 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 (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 (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 (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 (resigned on 12 January 2018)

NOMINATION COMMITTEE

Mr. Gao Yunhong *(Chairman)*
(appointed on 5 January 2018)
Ms. Feng Xuelian (appointed on 24 January 2019)
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. Qi Gang (appointed on 5 January 2018 and resigned on 24 January 2019)
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 (resigned on 12 January 2018)

CORPORATE INFORMATION

AUDITORS
Deloitte Touche Tohmatsu

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
6th Floor, The Sun's Group Centre
200 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
China Merchants Bank
Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS
www.dafy.com.hk

STOCK CODE
1826

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors (the "**Directors**") of Dafy Holdings Limited (the "**Company**"), it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018.

RESULTS

The total revenue of the Group decreased by approximately HK$96.3 million or 12.9% from approximately HK$744.8 million for the year ended 31 December 2017 to approximately HK$648.5 million for the year ended 31 December 2018. The Group's profits attributable to owners of the Company increased by approximately HK$0.9 million or 2.9% from approximately HK$31.2 million for the year ended 31 December 2017 to approximately HK$32.1 million for the year ended 31 December 2018.

BUSINESS REVIEW AND PROSPECT

In 2018, the Directors had been actively exploring different business opportunities in order to diversify the existing construction business in Hong Kong and to explore new markets with significant growth potential in the People's Republic of China (the "**PRC**"). The Directors believe that the diversification of business and income stream will take advantage of new business opportunities that may give rise to more sustainable growth in shareholders' value and empower us to capture greater opportunities.

Construction segment

During the year ended 31 December 2018, the overall market condition of the construction industry had been facing the challenges of no material expansion in the relevant market demand, high construction costs and labour shortage. The Group remains cautiously optimistic about the overall business prospects. Considering our proven track record and comprehensive services, we believe that we could strengthen our position in the Hong Kong market by attracting larger corporate customers and tenders for more capital-intensive projects for such customers. We also believe that the trend of the overall construction market is stable in view of the growth in private housing activities.

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

Financial information and technology services segment

In April 2018, the Group commenced its first establishment in the PRC through the setting up of Shanghai Faye Yu Technology Co., Ltd. (上海飛毓科技有限公司) ("**Faye Yu**"), a wholly-owned subsidiary of the Company. Faye Yu is principally engaged in the provision of computer information, network and electronic technology development, consulting and advertising in the PRC. In August 2018, Faye Yu acquired 51% equity interest of Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司) ("**Shangrao Dafy**") from Mr. Gao Yunhong, our executive Director, chairman of the Board and a controlling shareholder of the Company, at the consideration of RMB1.00. The Group commenced the financial information and technology services business in the PRC in the second half of 2018.

CHAIRMAN'S STATEMENT

In future, we will continue to expand and diversify our principal businesses and operations. In this regard, we may look into business and investment opportunities in different business areas and geographical locations and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, and/or restructuring of the business will be appropriate in order to enhance the long-term growth potential of the Group.

A NOTE OF APPRECIATION

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

Gao Yunhong
Chairman

Hong Kong, 19 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Construction segment

The services involved in the construction segment include: contracting services for alteration and addition works, maintenance, specialist works and new development; and consulting services for alteration and addition works, new development, licensing, building services, and architectural design for buildings in Hong Kong. The Group provides one-stop integrated solution for both contracting and consulting services from project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value-adding services such as providing advice on designs to the Group's customers.

Financial information and technology services segment

This segment involved the provision of financial information and technology services to the individuals in the People's Republic of China (the "**PRC**"). The Group is developing a range of high integrity and user friendly platforms for the users in the PRC, and steadily transforming into a nationwide enterprise with diverse products in the financial related service industry.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

On 5 January 2018, the Board announced the proposal for the change of its registered English name from "FDB Holdings Limited" to "Dafy Holdings Limited" and its Chinese name from "豐展控股有限公司" to "達飛控股有限公司". On 5 February 2018, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 22 February 2018, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 14 March 2018.

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

The Board considers that the change of Company name would better reflect the strategic business plan and future business development of the Group and believes that the change of Company name is in the best interests of the Company and its shareholders as a whole.

BUSINESS REVIEW AND OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Other Income

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

Other Gains and Losses

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

Other Expenses

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

Administrative Expenses

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

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

Finance Costs

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

Income Tax Expense

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

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

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

COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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 agreed to subscribe 137,740,000 shares (the "**Subscription Shares**") of CMBC Capital Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares 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.

The Subscription Shares represented approximately 0.30% of the enlarged issued share capital of CMBC Capital. The aggregate consideration of the Subscription 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's loan from Gentle Soar Limited ("**Gentle Soar**"), the controlling shareholder of the Company, in the principal amount of HK$50,000,000.00 (the "**Shareholder's Loan**"). The Shareholder's Loan is unsecured and no security over the assets of the Group has been granted to Gentle Soar. The term of the Shareholder's Loan is one year commencing from 20 July 2018 and is free of interest.

The Board is of the view that since the Shareholder's 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's Loan is not secured by any asset or guarantee of the Group, the Shareholder's 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.

The Directors have elected to designate the investments in equity instrument as at fair value through other comprehensive income, the change in fair value of the investments was recognised in other comprehensive income accordingly. As at 31 December 2018, the share price of CMBC Capital closed at HK$0.325 and thus the fair value loss of the Company on the investments amounted to approximately HK$5,234,000, which was recognised in other comprehensive expense for the year ended 31 December 2018. The investments in equity instruments consisted of approximately 9.5% of the total assets of the Group as at 31 December 2018. The Directors believe that the investment is held for long-term strategic purposes. Therefore, recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The investments in equity instruments are in line with the diversified business strategies of the Group. The Group endeavours to bring potential assets appreciation and further enhances returns to the value of the shareholders. However, the global economy placed uncertainties and challenges in Hong Kong's financial market, which may result in adverse changes in the value of these investments. Despite the volatile market conditions, the Group will explore different business opportunities actively to maintain sustainable growth.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

SURETY BONDS AND CONTINGENT LIABILITIES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CHARGE OF GROUP'S ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 475 employees (2017: 235 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$92.4 million for the year ended 31 December 2018 (2017: approximately HK$93.8 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

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

For the period from 1 January 2018 to 4 January 2018, Mr. Ng Kin Siu assumed the roles of both chairman of the Board and chief executive officer 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 officer are no longer performed by the same individual and there is clear division of responsibilities between the chairman and chief executive officer of the Company.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at 31 December 2018, the Board comprised seven Directors, including four executive Directors, namely Mr. Gao Yunhong, Mr. Qi Gang, Mr. Lu Xin and Mr. Ng Kin Siu, and three independent non-executive Directors, namely Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.

Mr. Gao Yunhong was the chairman (the "**Chairman**") of the Board.

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

RESPONSIBILITIES OF THE BOARD

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

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

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

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") for the year ended 31 December 2018 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Implementation and Monitorings

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy at least annually. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2018.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the year ended 31 December 2018, seventeen Board meetings were held. The attendance record of each Director at the Board meeting is set out in the table below:

Name of Directors	Number of attendance/ number of required attendance of Board meetings	
Executive Directors:		
Mr. Gao Yunhong	15/16	(Note 1)
Mr. Lu Xin	7/8	(Note 2)
Ms. Feng Xuelian	N/A	(Note 3)
Mr. Ng Kin Siu	17/17	
Mr. Qi Gang	16/16	(Note 4)
Ms. Zhu Wenhui	4/7	(Note 5)
Mr. Chung Yuk Ming Christopher	1/1	(Note 6)
Mr. Ip Kong Ling	1/1	(Note 7)
Independent non-executive Directors:		
Mr. Chan Yuk Sang	14/15	(Note 8)
Mr. Wan Chi Wai Anthony	15/15	(Note 9)
Mr. Lau Kwok Fai Patrick	15/15	(Note 10)
Mr. Chan Chun Hong	2/2	(Note 11)
Mr. Chan Kai Nang	2/2	(Note 12)
Mr. Lau Yiu Kit	2/2	(Note 13)
Dr. Wu Chun Wah	2/2	(Note 14)

Note 1: Mr. Gao Yunhong was appointed as executive Director on 5 January 2018

Note 2: Mr. Lu Xin was appointed as executive Director on 18 July 2018

Note 3: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019

Note 4: Mr. Qi Gang was appointed as executive Director on 5 January 2018 and resigned as executive Director on 24 January 2019

Note 5: Ms. Zhu Wenhui was appointed as executive Director on 5 January 2018 and resigned on 18 July 2018

Note 6: Mr. Chung Yuk Ming Christopher resigned as executive Director on 5 January 2018

Note 7: Mr. Ip Kong Ling resigned as executive Director on 5 January 2018

Note 8: Mr. Chan Yuk Sang was appointed as independent non-executive Director on 12 January 2018

Note 9: Mr. Wan Chi Wai Anthony was appointed as independent non-executive Director on 12 January 2018

Note 10: Mr. Lau Kwok Fai Patrick was appointed as independent non-executive Director on 12 January 2018

Note 11: Mr. Chan Chun Hong resigned as independent non-executive Director on 12 January 2018

Note 12: Mr. Chan Kai Nang resigned as independent non-executive Director on 12 January 2018

Note 13: Mr. Lau Yiu Kit resigned as independent non-executive Director on 12 January 2018

Note 14: Mr. Wu Chun Wah resigned as independent non-executive Director on 12 January 2018

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2018, three general meetings of the Company were held. The attendance record of each Director at the general meetings is set out in the table below:

Name of Directors	Number of attendance/ number of required attendance of general meetings	
Executive Directors:		
Mr. Gao Yunhong	1/3	
Mr. Lu Xin	N/A	(Note 1)
Ms. Feng Xuelian	N/A	(Note 2)
Mr. Ng Kin Siu	2/3	
Mr. Qi Gang	3/3	
Ms. Zhu Wenhui	1/3	
Independent non-executive Directors:		
Mr. Chan Yuk Sang	3/3	
Mr. Wan Chi Wai Anthony	0/3	
Mr. Lau Kwok Fai Patrick	3/3	

Note 1: Mr. Lu Xin was appointed as executive Director on 18 July 2018

Note 2: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

According to the training record maintained by the Company, during the year ended 31 December 2018, all the Directors had participated in continuous professional development in the following manner:

Name of Directors	Type of training
Executive Directors:	
Mr. Gao Yunhong	i
Mr. Lu Xin	i
Mr. Ng Kin Siu	i, ii
Mr. Qi Gang	i
Independent non-executive Directors:	
Mr. Chan Yuk Sang	i, ii
Mr. Wan Chi Wai Anthony	i, ii
Mr. Lau Kwok Fai Patrick	i, ii

i. reading journals and newspaper updates on corporate governance and directors' duties and responsibility.

ii. attending training/seminars/conferences arranged by the professional firms/organisations.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

The Audit Committee is mainly responsible for the followings:

(a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;

(c) to monitor the integrity of the Company's annual report, interim financial reports and quarterly reports, if any, before submission to the Board, and to focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

(d) to oversee the Company's financial reporting system, risk management and internal control systems, including:

(i) reviewing the Company's financial controls, accounting policies and the risk management and internal control systems;

(ii) discussing the risk management and internal control systems with management to ensure that management has performed its duty to maintain effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(iii) where an internal audit function exists, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

(iv) reviewing the external auditors' management letter and management's response; and

(v) ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letter.

During the year ended 31 December 2018, the Audit Committee held three meetings to, among others, consider and approve the following:

(a) to review the Group's consolidated financial results for the year ended 31 December 2017 and the six months ended 30 June 2018 before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) to discuss the effectiveness of the internal control system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

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

Name of Directors	Number of attendance/ number of required attendance of meetings	
Mr. Lau Kwok Fai Patrick *(Chairman)*	2/2	(Note 1)
Mr. Chan Yuk Sang	1/2	(Note 2)
Mr. Wan Chi Wai Anthony	2/2	(Note 3)
Mr. Chan Kai Nang	1/1	(Note 4)
Mr. Chan Chun Hong	1/1	(Note 5)
Mr. Lau Yiu Kit	1/1	(Note 6)
Dr. Wu Chun Wah	1/1	(Note 7)

Note 1: Mr. Lau Kwok Fai Patrick was appointed as independent non-executive Director on 12 January 2018

Note 2: Mr. Chan Yuk Sang was appointed as independent non-executive Director on 12 January 2018

Note 3: Mr. Wan Chi Wai Anthony was appointed as independent non-executive Director on 12 January 2018

Note 4: Mr. Chan Kai Nang resigned as independent non-executive Director on 12 January 2018

Note 5: Mr. Chan Chun Hong resigned as independent non-executive Director on 12 January 2018

Note 6: Mr. Lau Yiu Kit resigned as independent non-executive Director on 12 January 2018

Note 7: Dr. Wu Chun Wah resigned as independent non-executive Director on 12 January 2018

CORPORATE GOVERNANCE REPORT

The Group's audited annual results in respect of the year ended 31 December 2018 have been reviewed by existing members of the Audit Committee.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2018.

REMUNERATION COMMITTEE

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

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

(a) to establish a formal and transparent procedure for developing remuneration policy;

(b) to recommend to the Board the policy and structure for the remuneration of Directors and senior management whilst ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration;

(c) to determine the remuneration of Directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc.). The chairman and/or the managing Director shall be consulted respectively about their proposals relating to the remuneration of the managing Director and/or senior management, as the case may be;

(d) to review and to approve the compensation arrangements in connection with any loss or termination of office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be consistent with contractual terms and fair and not excessive;

(e) to determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(f) to consider the annual performance bonus for executive Directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to corporate goals and objectives resolved by the Board, and make recommendations to the Board.

During the year ended 31 December 2018, six Remuneration Committee meetings were held, at which the Remuneration Committee (i) approved the terms of executive Directors' service contracts and the independent non-executive Directors' appointment letters; and (ii) made recommendations to the Board for consideration on their discretionary bonuses for the year ended 31 December 2017.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Number of attendance/ number of required attendance of meetings	
Mr. Wan Chi Wai Anthony *(Chairman)*	4/4	(Note 1)
Mr. Gao Yunhong	4/4	(Note 2)
Mr. Chan Yuk Sang	4/4	(Note 3)
Mr. Lau Yiu Kit	2/2	(Note 4)
Mr. Chan Chun Hong	2/2	(Note 5)
Mr. Chan Kai Nang	2/2	(Note 6)
Dr. Wu Chun Wah	2/2	(Note 7)

Note 1: Mr. Wan Chi Wai Anthony was appointed as independent non-executive Director on 12 January 2018

Note 2: Mr. Gao Yunhong was appointed as executive Director on 5 January 2018

Note 3: Mr. Chan Yuk Sang was appointed as independent non-executive Director on 12 January 2018

Note 4: Mr. Lau Yiu Kit resigned as independent non-executive Director on 12 January 2018

Note 5: Mr. Chan Chun Hong resigned as independent non-executive Director on 12 January 2018

Note 6: Mr. Chan Kai Nang resigned as independent non-executive Director on 12 January 2018

Note 7: Mr. Wu Chun Wah resigned as independent non-executive Director on 12 January 2018

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee.

Details of the Directors' emolument are set out in note 11 to the consolidated financial statements.

Details of the annual remuneration of member of the senior management by band for the year ended 31 December 2018 is as follows:

	Number of employees
Up to HK$1,000,000	1

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference which are in compliance with the code provision A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors.

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

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation to the following in assessing the suitability of the proposed candidate:

— Reputation for integrity;

— Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

— Merits and contribution that proposed candidate will bring to the Board;

— Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive Director; and

— Ability to devote sufficient time and attention to the Company's business.

During the year ended 31 December 2018, six Nomination Committee meetings were held, at which the Nomination Committee (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) reviewed the Board Diversity Policy; and (iv) recommended to the Board for consideration the appointments of new executive Directors and independent non-executive Directors and the re-election of all the retiring Directors at the annual general meeting held on 24 May 2018.

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

Name of Directors	Number of attendance/ number of required attendance of meetings	
Mr. Gao Yunhong *(Chairman)*	4/5	(Note 1)
Ms. Feng Xuelian	N/A	(Note 2)
Mr. Chan Yuk Sang	4/4	(Note 3)
Mr. Wan Chi Wai Anthony	4/4	(Note 4)
Mr. Lau Kwok Fai Patrick	4/4	(Note 5)
Mr. Qi Gang	5/5	(Note 6)
Mr. Chan Chun Hong	2/2	(Note 7)
Mr. Chan Kai Nang	2/2	(Note 8)
Mr. Lau Yiu Kit	2/2	(Note 9)
Dr. Wu Chun Wah	2/2	(Note 10)

Note 1: Mr. Gao Yunhong was appointed as executive Director on 5 January 2018
Note 2: Ms. Feng Xuelian was appointed as executive Director on 24 January 2019
Note 3: Mr. Chan Yuk Sang was appointed as independent non-executive Director on 12 January 2018
Note 4: Mr. Wan Chi Wai Anthony was appointed as independent non-executive Director on 12 January 2018
Note 5: Mr. Lau Kwok Fai Patrick was appointed as independent non-executive Director on 12 January 2018
Note 6: Mr. Qi Gang was appointed as executive Director on 5 January 2018 and resigned as executive Director on 24 January 2019
Note 7: Mr. Chan Chun Hong resigned as independent non-executive Director on 12 January 2018
Note 8: Mr. Chan Kai Nang resigned as independent non-executive Director on 12 January 2018
Note 9: Mr. Lau Yiu Kit resigned as independent non-executive Director on 12 January 2018
Note 10: Mr. Wu Chun Wah resigned as independent non-executive Director on 12 January 2018

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders of the Company. The statements by the external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report on pages 56 to 60 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board has through the Audit Committee conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management system for the year ended 31 December 2018. The Board keeps monitoring the risk management system on an ongoing basis, ensuring a review of the effectiveness of the Group's risk management system is conducted at least annually. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

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

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

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group are to identify and manage the risk of the Group in accordance with acceptable safety levels and to achieve the Group's strategic objectives. The Group has adopted a three line risk management approach to identify, analyse, evaluate, mitigate and handle risks. At the first line of defence, department staff/frontline employees who must understand their roles and responsibilities are responsible for identifying, assessing and monitoring risks associated with transactions. The second line of defence is the Group's management that provides independent oversight of the risk management activities of the first line of defence. It ensures that risks are within the Group's risk capacity and that the control of the first line of defence is effective. As the final line of defence, the Audit Committee with the advice and opinions from an external professional party (such as the external auditor) and the internal audit function, would conduct a review of the Company's risk management and internal control systems on an annual basis and ensure that the first and second lines of defence are performed effectively. The Board has conducted a review, and is satisfied with the effectiveness and adequacy, of the risk management and internal control systems for the year ended 31 December 2018.

AUDITOR'S REMUNERATION

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

For the year ended 31 December 2018, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	2018 HK$'000	2017 HK$'000
Statutory audit services	1,950	1,150
Review of interim report	480	–
	2,430	1,150

COMPANY SECRETARY

Mr. Yu Tsz Ngo ("**Mr. Yu**") was appointed as the company secretary of the Company on 15 May 2015. Mr. Yu has taken no less than 15 hours of relevant professional training for the year ended 31 December 2018. The biographical details of Mr. Yu are set out under the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

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

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at 6th Floor, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong, or the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted at the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statements submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) if within 21 days of the deposit of the verified Requisition and sufficient money to meet the Company's expenses for the said purposes, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such EGM shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR RAISING ENQUIRIES

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

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

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

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website and meetings with investors and shareholders.

News updates of the Group's business development and operation are also available on the Company's website. During the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong and the People's Republic of China (the "**PRC**") during the year ended 31 December 2018 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules ("**ESG Reporting Guide**").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the year ended 31 December 2018. For details of the Group's financial performance and corporate governance matters, please refer to other sections in this annual report.

STAKEHOLDERS' ENGAGEMENT

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

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

Air Pollutants Emission

The Group takes all reasonable steps to closely monitor and manage the environmental effect of the operations. The Group targets to minimize any negative impact on the environment and always seeks ways less harmful to the environment in the operations. The Group has adopted the emission control measures, including but not limited to: (i) use of ultra-low sulphur diesel for plants and generators; (ii) use of non-road mobile machinery approved with Environmental Protection Department's labels; (iii) use of air compressors and hand held percussive breakers with noise emission labels; (iv) use of trip-ticket systems to record disposal of construction waste to disposal facilities; and (v) prohibition of open burning in all sites.

Air Pollutants	Unit	Construction and Consultancy		Financial Information and Technology Services		Total	
		2018	2017	**2018**	2017	**2018**	2017
Nitrogen Oxides (NOx)	kg	**13.46**	7.92	**–**	–	**13.46**	7.92
Sulphur Oxides (Sox)	kg	**0.28**	0.20	**–**	–	**0.28**	0.20
Particular Matter (PM)	kg	**0.99**	0.58	**–**	–	**0.99**	0.58

Greenhouse Gas ("GHG") Emission

The Group reduces its greenhouse gas emission by lowering its energy consumption. During the reporting period, our greenhouse gas emission mainly came from mobile vehicles and purchased electricity. The details of greenhouse gas emission during the reporting period are as follows:

GHG Emission	Unit	Construction and Consultancy		Financial Information and Technology Services		Total	
		2018	2017	**2018**	2017	**2018**	2017
Direct Emission (Scope 1)*	tonnes of CO2e	**55**	163	**–**	–	**55**	163
Indirect Emission (Scope 2)*	tonnes of CO2e	**551**	591	**40**	–	**591**	591
Indirect Emission (Scope 3)*	tonnes of CO2e	**27**	39	**7**	–	**34**	39
Total GHG Emission	tonnes of CO2e	**633**	793	**47**	–	**680**	793

* Scope 1 — Direct emissions from operations that are owned or controlled by the Company;
Scope 2 — "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating ,cooling and steam consumed within the Company; and
Scope 3 — All other indirect emissions that occur outside the Company, including both upstream and downstream emissions.

Hazardous and Non-hazardous Wastes

The Group has waste management measures in place and recognises the importance of waste reduction. During the reporting period, the Group did not generate any hazardous waste.

For non-hazardous wastes, they are mainly generated from daily operation. The Group takes initiative to reduce wastes by implementing different measures. For the construction site, the Group has implemented its waste management plans to ensure that all wastes generated during the construction phase are managed on site, transported and disposed of in environment friendly ways. The Group has implemented a trip-ticket system for disposal of construction wastes to disposal facilities. It facilitates the recording of wastes as it arrives at the landfill or public filling area in order to minimize the potential of cross-contamination with other waste.

In our offices, the Group encourages the staff to consider environment-friendly printing such as double-sided printing and copying in order to reduce the paper wastes.

During the reporting period, the details of hazardous and non-hazadous wastes are as follows:

Wastes Disposal	Unit	Construction and Consultancy 2018	2017	Financial Information and Technology Services 2018	2017	Total 2018	2017
Hazardous Wastes Produced							
N/A	tonnes	**–**	–	**–**	–	**–**	–
Non-hazardous Wastes Produced							
Construction Sites:							
Inert Material							
Construction and Demolition (C&D) Waste							
C&D Waste (Fill Bank)	tonnes	**6,721**	7,611	**–**	–	**6,721**	7,611
C&D Waste (Sorting Facility)	tonnes	**840**	2,638	**–**	–	**840**	2,638
C&D Waste (Landfill)	tonnes	**2,020**	2,445	**–**	–	**2,020**	2,445
Office:							
Paper	tonnes	**5**	5	**3**	–	**8**	5
		9,586	12,699	**3**	–	**9,589**	12,699

During the year ended 31 December 2018, the Group did not identify any material non-compliance related to emissions in accordance with relevant environmental laws and regulations as follows:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong);
- Noise Control Ordinance (Cap.400 of the Laws of Hong Kong);
- Dumping at Sea Ordinance (Cap. 466 of the Laws of Hong Kong);
- Environmental Impact Assessment Ordinance (Cap.499 of the Laws of Hong Kong).

Use of Resources

The Group is committed to having an environmentally friendly working environment. The Group advocates reducing the consumption of fuel and electricity and improving the resource efficiency by way of: (i) encouraging employees to switch off the lights and electronic appliances before they leave the office; (ii) encouraging employees to set the temperature of the offices' air conditioners to 25.5 Degree Celsius; (iii) encouraging employees to use double-sided printing instead of single-sided printing; (iv) encouraging and arranging the surplus materials on the construction sites to be re-used in other construction sites instead of dumping; and (v) encouraging employees to recycle the usage of water.

In the year ended 31 December 2018, there was no water fetching problem in our daily business.

The consumption of electricity and water were decreased as a result of implementing these environmental policies effectively.

Use of Resources

	2018	2017
Electricity Intensity		
Total Electricity consumption (kWH)	**767,857**	787,664
Electricity Intensity (kWh/Staff/Day)	**9.306**	10.325
Water Intensity		
Total Water consumption (m^3)	**1,048.0**	3,601.8
Water Consumption Intensity (m^3/Staff/Day)	**0.034**	0.047

The Group has developed the Environmental Management System which has been certified to comply with ISO 14001. The Group's operating activities have no direct or significant impact on the environment and natural resources, we encourage all employees to adhere to the use of natural resources in environment-friendly ways.

For the year ended 31 December 2018, with the great efforts of the Group and the management, decrease in the usages of natural resources (especially for electricity and water consumption) were observed.

We must identify and record site environmental aspects in operation, storage, waste management, distribution and disposal, etc. in the Group's register of environmental aspects for monitoring and mitigating our environmental impact.

EMPLOYMENT

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

The Group firmly upholds the principle of treating each employee fairly and consistently in all matters and enforces its employment policies in accordance with the regulations of the Employment Ordinance in Hong Kong, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China in the PRC.

Summary of employment performance indicators:

	2018		2017	
Number of Employees		**475**		235
By Gender				
Female	**211**	**44%**	65	28%
Male	**264**	**56%**	170	72%
By Age				
18 or below		**–**		–
19 to 40		**395**		148
41 to 60		**75**		79
Over 60		**5**		8

Diversity

	2018				
Number of Employees by Employee Category	**Gender**			**Age Group**	
	Female	**Male**	**19 to 40**	**41 to 60**	**Over 60**
Management	**6**	**32**	**19**	**19**	**–**
Technical/Supervisor	**39**	**72**	**99**	**11**	**1**
General staff	**166**	**160**	**277**	**45**	**4**

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

Turnover Rate

	2018	2017
Number and Rate (%) of Employee Turnover	**56/475 (12%)**	118/235 (50%)
By Gender		
Female	**15/211 (7%)**	32/65 (49%)
Male	**41/264 (16%)**	86/170 (51%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

Summary of Health and Safety Performance Indicators

	2018	2017
Work-related fatalities (Case)	**–**	–
Lost days due to work injury (Day)	**1,415**	1,125

The Group places the highest priority on securing occupational safety and health of all the employees. More than complying with relevant occupational safety and health legislations and regulations including the Employees' Compensation Ordinance and the Occupational Safety and Health Ordinance Hong Kong and Law of People's Republic of China on Prevention and Control of Occupational Diseases, we endeavour to protect the employees from work related accidents/injuries.

Safety Audit

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

OHSAS 18001

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

During the year ended 31 December 2018, the Group did not identify any material non-compliance cases relating to health and safety.

DEVELOPMENT AND TRAINING

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

To assimilate into our culture and get familiar with the new working environment, all new staff undergo an orientation which relates to the Group's background, professional ethics, knowledge and skills for the appointed position, duties and operational procedures and safety etc. Employees are also encouraged to take external training courses and workshops that are relevant to their roles in order to enrich their knowledge in discharging their duties.

Summary of Development and Training Performance Indicators

	2018			
By Employee Category and Gender	**Total Training Hours**		**Total Percentage**	
	Female	**Male**	**Female**	**Male**
			%	**%**
Management	**40**	**296**	**1.5**	**10.9**
Technical/Supervisor	**468**	**892**	**17.2**	**32.7**
General staff	**623**	**404**	**22.9**	**14.8**

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

LABOUR STANDARDS

The Group strictly complies with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Provisions on Prohibition of Child Labour and other applicable laws and regulations in the PRC and fully understands that employing child labour and forced labour is prohibited. The Group reviews the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verification. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis. During the year ended 31 December 2018, the Group did not identify any non-compliance cases involving child labour and forced labour and complied with all relevant laws and regulations relating to employment and labour practices.

SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

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

	2018	2017
Number of key suppliers/subcontractors	**159**	136
By region		
Hong Kong	**129**	131
PRC	**29**	2
Spain	**1**	1
United Kingdom	**–**	2

PRODUCT RESPONSIBILITY

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

The Group communicates and confirms the work plan with customers before the commencement of projects and actively monitors and processes and coordinates with the customers. For the year ended 31 December 2018, the Group did not receive any material complaints or requests to terminate projects due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issues. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

The Group also recognises the importance of intellectual property rights. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with Copyright Ordinance in Hong Kong and Copyright Law of the People's Republic of China in the PRC. All confidential data of customers can only be assessed by the staffs who are responsible for the projects for relevant clients.

For the year ended 31 December 2018, the Group did not identify any non-compliance cases relating to product responsibility.

ANTI-CORRUPTION

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

Employees are also required to comply strictly with applicable laws relating to the above acts. The Group has adopted and circulated clear internal guidelines for employees. During the year ended 31 December 2018, the Group did not receive any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

COMMUNITY INVESTMENT

Supporting Education

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

Caring for Society

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. GAO Yunhong (高雲紅), aged 45, is the chairman of the Board and an executive Director responsible for the overall business development and strategic planning of the Group. Mr. Gao is an experienced business entrepreneur and is the founder of Dafy Group, which comprises Shenzhen Dafy Technology Holdings Co. Ltd. ("**Shenzhen Dafy**") 深圳達飛科技控股有限公司 (formerly known as Shenzhen Dafy Finance Holdings Co. Ltd (深圳達飛金融控股有限公司), a company principally engaged in provision of financial technology and related services based in Shenzhen, the PRC, and its subsidiaries. Mr. Gao also has experience in properties investment and development in the PRC.

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

Mr. LU Xin (魯欣), aged 37, was appointed as an executive Director on 18 July 2018 . Mr. Lu has more than 10 years experience in the consumer finance industry in the PRC. He has been appointed as the chief executive officer of Shenzhen Dafy since April 2016. He worked at Home Credit, a global consumer finance service provider, from December 2007 to March 2015 in the PRC where his last position was senior product manager. He then joined Hubei Consumer Finance Co., Ltd. as a product director in March 2015 and Sina Fenqi (新浪分期) as the vice president in September 2015. Mr. Lu graduated from the University of Portsmouth in the United Kingdom with an honours degree of bachelor of arts in international trade and English in July 2004 and a master of arts in marketing with electronic commerce in July 2006.

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

Ms. FENG Xuelian (馮雪蓮), aged 45, was appointed as an executive Director on 24 January 2019. She is the business development director of the Group principally responsible for formulating and reviewing the overall business development directions and strategies of the Group. Ms. Feng has more than 20 years of experience in accounting, auditing and financial management. She has been a certified intermediate accountant and a certified tax agent in the PRC since September 2003 and March 2017, respectively. Prior to joining the Company, she worked as an audit manager at Qinhuangdao Xingriyang Accounting Co., Ltd. (秦皇島星日陽會計師事務所有限公司) from 1999 to 2012. She then joined Shenzhen Dafy as the chief financial officer in 2013 and was redesignated as the office manager of the chairman of the board and the director of investment management department in 2017. Ms. Feng completed the course of economics management profession in Chinese Communist Party Qinhuangdao Municipal Committee Party School (中共秦皇島市委黨校) in July 2000. She also completed the executive master of business administration ("**EMBA**") programme in internet finance at the PBC School of Finance at Tsinghua University, the PRC in July 2018 and has been attending the EMBA programme in corporate value management at the same institute since October 2018.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Kin Siu, (吳建韶), aged 51, is the founder of the Group. He has been the chairman of the Board up till 4 January 2018, an executive Director and the chief executive officer of the Company and is responsible for the overall business development and strategic planning of the Group. He was appointed as an executive Director on 19 March 2015. He is also a director of Fruit Design & Build Limited ("**Fruit Design**"), Harvest Building Consultancy Limited ("**Harvest Building**"), Marvo Architecture Limited, Win Lee Building Engineering Limited ("**Win Lee Building**") and Win Lee (Project Team B) Construction Limited. On 16 March 2017, he was appointed as a director of Sky Global Construction Limited. Mr. Ng is the sole shareholder of Masterveyor Holdings Limited, which is interested in 5% of the issued share capital of the Company.

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Yuk Sang (陳玉生), aged 73, was appointed as an independent non-executive Director on 12 January 2018. He has more than 30 years of experience in the banking and finance industry. Mr. Chan has been an independent non-executive director of Four Seas Mercantile Holdings Limited (stock code: 374) since July 2000, the shares of which are listed on the Main Board of the Stock Exchange. He is also a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen, the PRC.

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

Company	Position	Tenure
The Hong Kong Building and Loan Agency Limited (stock code: 145)	Director	1993 to 1995
Century Legend (Holdings) Limited (stock code: 79)	Chairman	September 1999 to July 2002
GOME Retail Holdings Limited (stock code: 493)	Independent non-executive director	May 2004 to June 2015
Imagi International Holdings Limited (stock code: 585)	Independent non-executive director	May 2010 to January 2016
China Internet Investment Finance Holdings Limited (stock code: 810)	Independent non-executive director	April 2011 to July 2012
Asia Resources Holdings Limited (stock code: 899)	Executive director	April 2017 to December 2018

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WAN Chi Wai Anthony (尹智偉), aged 43, was appointed as an independent non-executive Director on 12 January 2018. He possesses professional experience in both the accounting and legal fields. He is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong. Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as a senior associate. Mr. Wan has been an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006.He was admitted as a solicitor in Hong Kong in September 2006.

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

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

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

Mr. LAU Kwok Fai Patrick (劉國煇), aged 46, was appointed as an independent non-executive Director on 12 January 2018. He has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. He is currently the chief financial officer and company secretary of International Alliance Financial Leasing Co., Ltd. (stock code: 1563), the shares of which are listed on the Main Board of the Stock Exchange. From December 1997 to April 1999, Mr. Lau served as an associate in PricewaterhouseCoopers Ltd. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager. From July 2011 to June 2016, Mr. Lau served various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which were listed on GEM of the Stock Exchange from May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board of the Stock Exchange in December 2013 (stock code: 1522).

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Disclosure required under Rule 13.51 of the Listing Rules

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

SENIOR MANAGEMENT

Mr. LAU Shun Pong, Johnson (劉信邦), aged 45, was appointed as chief financial officer on 15 August 2018. He obtained a bachelor's degree in commerce in April 1996 from Monash University, Australia. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant of the Australian Society of Certified Practising Accountants. Mr. Lau has over 20 years of experience in the accounting profession.

Prior to his joining the Company, Mr. Lau was appointed as the chief financial officer of China Golden Classic Group Limited ("**China Golden**") (stock code: 8281), the shares of which are listed on GEM of the Stock Exchange, in July 2015 and further appointed as the company secretary of China Golden on 17 June 2016. Mr. Lau was employed by Deloitte Touche Tohmatsu CPA Limited in Hong Kong and Beijing from 1997 to 2004. Thereafter, Mr. Lau has worked in various public companies in the United States and England as director of finance and chief financial officer for over 10 years.

Mr. Lau has been an independent director of Future FinTech Group Inc. (formerly known as SkyPeople Fruit Juice, Inc.) (NASDAQ code: FTFT), the shares of which are listed on the NASDAQ Capital Market, since 23 December 2014. He has been an independent non-executive director of Winshine Science Company Limited (stock code: 209), the shares of which have been listed on the Main Board of the Stock Exchange since 31 October 2017 and resigned on 10 April 2019.

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

COMPANY SECRETARY

Mr. YU Tsz Ngo (余子敖), aged 33, was appointed as a company secretary on 15 May 2015. He is responsible for overseeing the company secretarial matters of the Group. As he is the external service provider to the Group, his primary corporate contact person at the Company is Mr. Ng Kin Siu, an executive Director and the compliance officer of the Company. He worked at Deloitte Touche Tohmatsu in Hong Kong from January 2007 to February 2012 and his last position was Manager in the audit department. He obtained a degree of Bachelor of Commerce (Accounting and Finance) from Monash University of Australia in December 2005 and a master degree of Applied Finance from Monash University of Australia in December 2006. He has been a member of the Certified Public Accountants Australia since January 2006, the Hong Kong Institute of Certified Public Accountants since July 2011.

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

REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2018.

CORPORATE INFORMATION

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

The shares of the Company were listed on GEM of the Stock Exchange with effect from 30 September 2015 and have been transferred to the Main Board of the Stock Exchange since 10 July 2017.

CHANGE OF COMPANY NAME

Pursuant to the special resolution duly passed by the Shareholders at the extraordinary general meeting held on 5 February 2018 and the subsequent certification of the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong, with effect from 22 February 2018, the Company's registered English name has been changed from "FDB Holdings Limited" to "Dafy Holdings Limited" and its Chinese name from "豐展控股有限公司" to "達飛控股有限公司".

CHANGE OF STOCK SHORT NAME

With the approval of the Stock Exchange, the stock short name for trading in shares of the Company on the Stock Exchange has been changed from "FDB HOLDINGS" to "DAFY HOLDINGS" in English and from "豐展控股" to "達飛控股" in Chinese with effect from 9:00 a.m. on 22 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review is set out in the section of "Management Discussion and Analysis" ("**MD&A**") in this annual report from pages 6 to 13. Future development of the company's business is set out in the section of "Chairman's Statement" and "MD&A" in this annual report on page 4 and page 6 respectively. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Key Risks and Uncertainties

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

An analysis of the Group's financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 32 to the consolidated financial statements.

Environmental Protection

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

Workplace Quality

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this annual report.

The Company has adopted a policy on payment of dividends in compliance with code provision E.1.5 of the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Company will declare and/or recommend a payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. The Company shall review and reassess the dividend policy and its effectiveness on a regular basis or as required.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday, 31 May 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2019.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 126 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") is a share incentive scheme in compliance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees who have made valuable contribution to the Group. The Scheme of the Company was adopted on 16 September 2015 (the "**Adoption**"). There was no share option granted or agreed to be granted under the Scheme from the date of the Adoption to 31 December 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 shares 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 options and duration of the Scheme

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

REPORT OF DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company's reserves available for distribution to the owners of the Company amounted to approximately HK$13.9 million, comprising retained losses of approximately HK$7.5 million and the share premium amounting to approximately HK$21.4 million, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2018, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer	12.5%
— The total of the five largest customers	45.2%

For the year ended 31 December 2018, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of services

— The largest supplier	7.9%
— The total of the five largest suppliers	26.1%

None of the Directors, their close associates (as defined in the Listing Rules) or shareholders (who to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

DIRECTORS

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

Executive Directors:

Mr. Gao Yunhong *(Chairman)* (appointed on 5 January 2018)
Mr. Lu Xin (appointed on 18 July 2018)
Ms. Feng Xuelian (appointed on 24 January 2019)
Mr. Ng Kin Siu *(Chief executive officer)*
Mr. Qi Gang (appointed on 5 January 2018 and resigned on 24 January 2019)
Ms. Zhu Wenhui (appointed on 5 January 2018 and resigned on 18 July 2018)
Mr. Chung Yuk Ming Christopher (resigned on 5 January 2018)
Mr. Ip Kong Ling (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 (resigned on 12 January 2018)

REPORT OF DIRECTORS

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages from 39 to 43 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance, to which the Company, its holding company or subsidiaries was a party and in which a Director or a connected entity of a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year ended 31 December 2018.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

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

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2018.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the ordinary shares of the Company

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 Yunhong 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 chief executive officer 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 31 December 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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2018, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Long/ short position	Percentage of total issued share capital of the Company
CMBC Capital Finance Limited	Person having a security interest in shares (Note 1)	862,400,000	Long	70%
CMBC Capital Holdings Limited	Interest in a controlled corporation (Note 1)	862,400,000	Long	70%
CMBC International Holdings Limited	Interest in a controlled corporation (Note 1)	862,400,000	Long	70%
CMBC International Investment (HK) Limited	Interest in a controlled corporation (Note 1)	862,400,000	Long	70%
CMBC International Investment Limited	Interest in a controlled corporation (Note 1)	862,400,000	Long	70%
Gentle Soar	Beneficial owner	862,400,000	Long	70%
Masterveyor	Beneficial owner	61,600,000	Long	5%
Ms. Wong Chai Lin	Interest of spouse (Note 2)	61,600,000	Long	5%

Note:

(1) CMBC Capital Finance Limited is a wholly-owned subsidiary of CMBC Capital Holdings Limited which is beneficially owned by CMBC International Investment Limited as to 60.62%. CMBC International Investment Limited is a wholly-owned subsidiary of CMBC International Investment (HK) Limited which is an indirect wholly-owned subsidiary of CMBC International Holdings Limited. By virtue of the SFO, CMBC Capital Holdings Limited, CMBC International Holdings Limited, CMBC International Investment (HK) Limited and CMBC International Investment Limited are therefore deemed to be interested in the security interest held by CMBC Capital Finance Limited.

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

Save as disclosed above, as at 31 December 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 section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected Transaction

In August 2018, Faye Yu acquired 51% equity interest of Shangrao Dafy Financial Data Service Co., Ltd. (上饒市達飛金融信息服務有限公司) ("**Shangrao Dafy**") from Mr. Gao Yunhong ("**Mr. Gao**"), our executive Director, chairman of the Board and a controlling shareholder of the Company, at a consideration of RMB1.00. Shangrao Dafy became an indirect subsidiary of the Company.

Continuing Connected Transactions

On 8 June 2018, Fruit Design & Build Limited ("**Fruit Design**"), a wholly owned subsidiary of the Company, entered into the Design and Construction Agreement with Land Ease Limited ("**Land Ease**"), a company wholly owned by Mr. Ng Kin Siu, pursuant to which Fruit Design has agreed to provide design and construction services to Land Ease, at a consideration of HK$182 million.

For the year ended 31 December 2018, the fees received from Land Ease were HK$59,978,000, which are within the approved annual caps of HK$62,000,000.

On 21 September 2018, Shangrao Dafy has entered into a lease agreement (the "**Lease Agreement 1**") with Shenzhen Dafy Technology Holdings Co., Ltd. ("**Shenzhen Dafy**") (深圳達飛科技控股有限公司) and a lease agreement with Dafy Yundai Technology (Beijing) Co., Ltd. ("**Dafy Yundai**") (達飛雲貸科技(北京)有限公司) (the "**Lease Agreement 2**").

Under Lease Agreement 1, Shangrao Dafy leased the risk management and operations management systems in connection with financial information and technology services from Shenzhen Dafy, from 21 September 2018 to 31 December 2018 (both days inclusive), at a consideration of RMB570,000.

Under Lease Agreement 2, Shangrao Dafy leased the hardware and software system in connection with the financial information and technology services on the mobile application "達飛雲貸" from Dafy Yundai, from 21 September 2018 to 31 December 2018 (both days inclusive), at a consideration of RMB550,000.

For the year ended 31 December 2018, the fees paid to Shenzhen Dafy and Dafy Yundai under the Lease Agreement 1 and the Lease Agreement 2 were RMB570,000 and RMB550,000, respectively, which are within the approved annual caps.

On 17 December 2018, Shangrao Dafy entered into a new lease agreement with Shenzhen Dafy (the "**New Lease Agreement 1**") and a new lease agreement with Dafy Yundai (the "**New Lease Agreement 2**") to respectively renew the lease terms of Lease Agreement 1 and Lease Agreement 2, both of which should expire on 31 December 2018, from 1 January 2019 to 30 June 2019, at a consideration of RMB980,000 and RMB970,000, respectively.

The annual caps for the transactions contemplated under the New Lease Agreement 1 and the New Lease Agreement 2 for the year ended 31 December 2019 were RMB980,000 and RMB970,000, respectively.

The Company has been actively exploring opportunities to diversify its stream of revenue in order to add momentum to the growth of the Group and to explore new markets with significant growth potential. The transactions contemplated under the above lease agreements made with Dafy Yundai and Shenzhen Dafy will provide the Group with actual and fundamental resources in realising the Company's vision in diversifying and expanding its business into the PRC.

The Company's controlling shareholder, Gentle Soar, is beneficially interested in 862,400,000 shares and Mr. Gao beneficially owns the entire issued capital of Gentle Soar. Mr. Gao is also the executive Director and chairman of the Board. Hence, Mr. Gao is a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Gao is also beneficially interested in 94.8% and 71.3% of the registered share capital of Shenzhen Dafy and Dafy Yundai respectively. Hence, each of Shenzhen Dafy and Dafy Yundai is an associate of Mr. Gao and connected person of the Company under Chapter 14A of the Listing Rules.

Saved as disclosed above, the Group has not entered into any other connected transactions that are not fully exempted under Rule 14A.33 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company, Deloitte Touche Tohmatsu, to perform certain agreed-upon procedures on the continuing connected transactions. Based on the work performed, the auditors of the Company provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Board;

(ii) were entered into in all material respects, in accordance with the pricing policies of the Company;

(iii) were entered into in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) did not exceed the annual caps for the year ended 31 December 2018.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group are provided under note 30 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those disclosed in the paragraph headed “Continuing Connected Transactions” above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SUFFICIENCY OF PUBLIC FLOAT

Following the close of the mandatory unconditional cash offer by GF Securities (Hong Kong) Brokerage Limited for and on behalf of Gentle Soar to acquire all the issued shares (other than those already owned or agreed to be acquired by Gentle Soar and parties acting in concert with it) of the Company (the "**Offer**") on 5 January 2018, 264,620,000 shares were held by the public (within the meaning of the Listing Rules), representing approximately 21.5% of the total number of issued shares of the Company. Accordingly, less than 25% of the issued shares (being the minimum prescribed percentage applicable to the Company) were held by the public and the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules.

The Company made an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules (the "**Waiver**") and the waiver was granted by the Stock Exchange on 25 January 2018 for a period of 42 days commencing from 5 January 2018 and expiring on 15 February 2018 (both days inclusive).

On 15 February 2018, the Company applied to the Stock Exchange for an extension of the Waiver for a period of 15 days from 16 February 2018 to 2 March 2018 (the "**Extension of Waiver**") and the Extension of Waiver was granted by the Stock Exchange on 20 February 2018.

The Company was informed by Gentle Soar that on 5 March 2018, Gentle Soar completed the placing of 43,380,000 existing shares held by it, representing approximately 3.5% of the entire issued share capital of the Company, to no less than six placees (the "**Placing**"). Upon completion of the Placing, a total of 308,000,000 shares, representing 25% of the issued share capital of the Company, are in the hands of the public and accordingly the public float of the Company has been restored to not less than 25% of the total issued share capital of the Company in compliance with Rule 8.08(1) of the Listing Rules.

Details of public float of the Company were set out in the joint announcement issued by Gentle Soar and the Company dated 5 January 2018 and the announcements of the Company dated 25 January 2018, 15 February 2018, 20 February 2018 and 5 March 2018, respectively.

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

REPORT OF DIRECTORS

AUDITOR

Deloitte Touche Tohmatsu was appointed by the Directors as the auditor of the Company. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu.

TAX RELIEF

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, no equity-linked agreements were entered into during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

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

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

By Order of the Board
Gao Yunhong
Chairman

Hong Kong, 19 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF DAFY HOLDINGS LIMITED
達飛控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dafy Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 61 to 125, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition of contracting service and contract assets	
We identified the revenue and profit recognition of contracting service and contract assets as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the stage of completion of contracting service. The Group provided contracting service for alteration and addition works, maintenance, specialist works and new development. As disclosed in Note 17 to the consolidated financial statements, at 31 December 2018, the Group recorded contract assets of HK$147,704,000 in relation to contracting service. The Group has recognised revenue and profit from contracting service of HK$519,693,000 and HK$32,480,000, respectively for the year ended 31 December 2018 as described in Note 5 to the consolidated financial statements. As set out in Note 4 to the consolidated financial statements, the Group recognises contract revenue and profit of contracting service and contract assets according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the stage of completion of contracting service which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales.	Our procedures in relation to the revenue and profit recognition of contracting service and contract assets included: • Evaluating the estimation of revenue and profit recognised on contracting service contracts, on a sample basis, by: — agreeing the contract sum and budgeted costs to respective signed contracts and approved budgets; — understanding from the management and project managers about how the approved budgets were prepared and the respective stage of completion were determined; — challenging the reasonableness of key judgements inherent in the approved budgets; — comparing the existence and valuation of variations to correspondence with customers; — challenging the management's assessment on the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts; and — obtaining the certificates issued by the external surveyors to evaluate the reasonableness of stage of completion as at year end. • Assessing the reliability of the approved budgets by comparing the actual outcome against the management's estimation of completed contracts on a sample basis; and • Checking the accuracy of the contract assets by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets	
We identified the impairment assessment of trade receivables and contract assets as a key audit matter due to significant management judgements and estimation involved in assessing the expected credit losses ("**ECL**") of the Group's trade receivables and contract assets at the end of the reporting period. As disclosed in Note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the shared credit risk characteristics. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. As disclosed in Notes 19, 17 and 32(b) to the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$157,299,000 and HK$163,451,000, net of allowance for credit losses of approximately HK$2,019,000 and HK$569,000, respectively.	Our procedures in relation to the impairment assessment of trade receivables and contract assets included: • Obtaining an understanding of management's process of assessing the ECL for trade receivables and contract assets; • Testing the integrity of information used by management to develop the provision matrix; • Challenging management's basis and judgement in determining credit losses allowance on trade receivables and contract assets as at 1 January 2018 and 31 December 2018, including their identification of credit impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Evaluating management's calculation of the ECL for trade receivables and contract assets, based on the internal credit rating of the debtors and forward looking information.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	5	**648,541**	744,755
Cost of services		**(539,526)**	(671,307)
Gross profit		**109,015**	73,448
Other income	6	**2,020**	733
Other gains and losses	7	**(1,096)**	(168)
Other expenses	8	**(220)**	(2,417)
Administrative expenses		**(39,172)**	(32,748)
Finance costs	9	**(1,930)**	(696)
Profit before tax	10	**68,617**	38,152
Income tax expense	13	**(17,321)**	(6,969)
Profit for the year		**51,296**	31,183
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(5,234)**	–
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**34**	–
Other comprehensive expense for the year		**(5,200)**	–
Total comprehensive income for the year		**46,096**	31,183
Profit for the year attributable to:			
Owners of the Company		**32,057**	31,183
Non-controlling interests		**19,239**	–
		51,296	31,183
Total comprehensive income for the year attributable to:			
Owners of the Company		**26,786**	31,183
Non-controlling interests		**19,310**	–
		46,096	31,183
Earnings per share, basic (HK cents)	14	**2.6**	2.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**5,390**	3,130
Deposit paid for acquisition of property, plant and equipment		**1,150**	–
Equity instruments at fair value through other comprehensive income	16	**44,766**	–
Deferred tax assets	25	**270**	–
		51,576	3,130
Current assets			
Contract assets	17	**163,451**	–
Amounts due from customers for contract works	18	**–**	186,197
Trade and other receivables	19	**198,094**	141,885
Tax recoverable		**2,751**	1,617
Pledged bank deposits	20	**33,194**	35,999
Bank balances and cash	20	**21,996**	19,191
		419,486	384,889
Current liabilities			
Trade and other payables	21	**169,993**	214,882
Advances from customers	21	**–**	6,581
Contract liabilities	22	**13,875**	–
Amount due to a shareholder	23	**52,355**	–
Tax liabilities		**13,704**	2,236
Bank borrowings	24	**53,400**	52,623
		303,327	276,322
Net current assets		**116,159**	108,567
Total assets less current liabilities		**167,735**	111,697
Non-current liability			
Deferred tax liabilities	25	**76**	235
Net assets		**167,659**	111,462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	26	**12,320**	12,320
Reserves		**124,654**	99,142
Equity attributable to owners of the Company		**136,974**	111,462
Non-controlling interests		**30,685**	–
Total equity		**167,659**	111,462

The consolidated financial statements on pages 61 to 125 were approved and authorised for issue by the Board of Directors on 19 March 2019 and are signed on its behalf by:

MR. GAO YUNHONG,
DIRECTOR

MR. NG KIN SIU,
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	12,320	21,440	1,000	–	–	55,375	90,135	–	90,135
Dividends recognised as distribution (Note 12)	–	–	–	–	–	(9,856)	(9,856)	–	(9,856)
Profit and total comprehensive income for the year	–	–	–	–	–	31,183	31,183	–	31,183
At 31 December 2017	12,320	21,440	1,000	–	–	76,702	111,462	–	111,462
Adjustments (Note 2)	–	–	–	–	–	(1,274)	(1,274)	–	(1,274)
At 1 January 2018 (restated)	12,320	21,440	1,000	–	–	75,428	110,188	–	110,188
Profit for the year	–	–	–	–	–	32,057	32,057	19,239	51,296
Other comprehensive (expense) income for the year	–	–	–	(37)	(5,234)	–	(5,271)	71	(5,200)
Total comprehensive income for the year	–	–	–	(37)	(5,234)	32,057	26,786	19,310	46,096
Capital contribution by a non-controlling shareholder of a subsidiary (Note 35)	–	–	–	–	–	–	–	11,375	11,375
At 31 December 2018	12,320	21,440	1,000	(37)	(5,234)	107,485	136,974	30,685	167,659

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**68,617**	38,152
Adjustments for:		
Depreciation of property, plant and equipment	**1,758**	1,125
Finance costs	**1,930**	696
Impairment losses, net of reversal	**1,072**	111
Interest income	**(109)**	(34)
Loss on disposal of property, plant and equipment	**39**	57
Operating cash flows before movements in working capital	**73,307**	40,107
Increase in amounts due from customers for contract works	**–**	(101,300)
Increase in trade and other receivables	**(79,826)**	(69,752)
Decrease in contract assets	**44,017**	–
(Decrease) increase in trade and other payables and advances from customers	**(36,814)**	90,232
Decrease in contract liabilities	**(781)**	–
Cash used in operations	**(97)**	(40,713)
Income tax paid	**(7,466)**	(8,354)
Income tax refunded	**–**	99
NET CASH USED IN OPERATING ACTIVITIES	**(7,563)**	(48,968)
INVESTING ACTIVITIES		
Purchases of equity instruments at fair value through other comprehensive income	**(50,000)**	–
Purchase of property, plant and equipment	**(4,057)**	(966)
Placement of pledged bank deposits	**–**	(17,575)
Withdrawal of pledged bank deposits	**2,805**	–
Deposits paid for acquisition of property, plant and equipment	**(1,150)**	–
Interest received	**109**	34
Proceeds from disposal of property, plant and equipment	**–**	32
NET CASH USED IN INVESTING ACTIVITIES	**(52,293)**	(18,475)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**71,400**	70,923
Repayment of bank borrowings	**(70,623)**	(22,724)
Dividend paid	**–**	(9,856)
Interest paid	**(1,930)**	(696)
Capital contribution by a non-controlling shareholder of a subsidiary	**11,375**	–
Advance from a shareholder	**52,355**	–
NET CASH FROM FINANCING ACTIVITIES	**62,577**	37,647
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,721**	(29,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**19,191**	48,987
Effect of foreign exchange rate changes	**84**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**21,996**	19,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

Dafy Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 March 2015. The shares of the Company had been listed on GEM ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 30 September 2015 and have been transferred to the Main Board of the Stock Exchange ("**Main Board**") since 10 July 2017.

On 5 January 2018, the Board of Directors announced the proposal for the change of its registered English name from "FDB Holdings Limited" to "Dafy Holdings Limited" and its Chinese name from "豐展控股有限公司" to "達飛控股有限公司". On 5 February 2018, the special resolution for change of the Company's name was duly passed by the shareholders of the Company at its extraordinary general meeting. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 22 February 2018, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies of Hong Kong on 14 March 2018.

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

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

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

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with 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

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

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

Except as described below, the application of the new and 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.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Contracting business and project management ("**Contracting service**")
- Provision of building consultancy services ("**Consulting service**")
- Provision of financial information and technology services ("**Financial information and technology service**")

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

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

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15

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

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* 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

* The amounts in this column are before the adjustments from the application of HKFRS 9.

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

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

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

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

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Amounts due from customers for contract works	–	102,738	102,738
Trade and other receivables	198,094	60,713	258,807
Contract assets	163,451	(163,451)	–
Current liabilities			
Trade and other payables	169,993	7,294	177,287
Advances from customers	–	6,581	6,581
Contract liabilities	13,875	(13,875)	–

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating Activities			
Decrease in contract assets	44,017	(44,017)	–
Decrease in amounts due from customers for contract work	–	82,890	82,890
Increase in trade and other receivables	(79,826)	(38,873)	(118,699)
Decrease in trade and other payables and advances from customers	(36,814)	(781)	(37,595)
Decrease in contract liabilities	(781)	781	–

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

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

2.2 HKFRS 9 Financial Instruments

In the current year, 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 under ECL model) 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*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

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.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement 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

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

2.2 HKFRS 9 Financial Instruments (Continued)

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

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.

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 HK$'000	Contract assets HK$'000	Trade receivables 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

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

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	At 31 December 2017 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	At 1 January 2018 HK$'000 (Restated)
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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

New and amendments to HKFRSs issued but not yet effective

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

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

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

New and amendments to HKFRSs issued but not yet effective (Continued)

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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, the operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$26,868,000 as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,670,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

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

HKFRS 16 Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies see out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

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.

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.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of variable considerations.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

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, 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) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Revenue recognition (prior to 1 January 2018)

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

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

Services and interests

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 January 2018) (Continued)

Construction contracts

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

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

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

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

Leases

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Property, plant and equipment

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

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

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

Equity-settled share-based payment transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive Income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, retention 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. Assessment 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 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and contract assets are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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

(i) Loans and receivables

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Revenue and profit recognition of contracting service and contract assets

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

The Group recognises contract revenue and profit of contracting service and contract assets according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the stage of completion of contracting service which is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Estimated construction revenue is determined with reference to the terms of the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.

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

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

As at 31 December 2018, the carrying amount of contract assets in relation to contracting service was approximately HK$147,704,000 (2017: HK$186,197,000).

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 19 and 17 respectively.

5. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from the following major sources:

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

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligation for contracts with customers

Contracting service

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

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

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

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

Consultancy service

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligation for contracts with customers (continued)

Financial information and technology service

The Group provides financial information and technology services which link up the individual users in the PRC with various financial institutions or credit service providers. The Group also provides post loan management service to the borrowers over the loan period.

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

A. For the year ended 31 December 2018 (Continued)

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

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

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

B. For the year ended 31 December 2017

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. During the year ended 31 December 2018, the Group entered into a new business of financial information and technology service and it is considered as a new operating and reportable segment by the CODM.

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

1. Contracting service
2. Consultancy service
3. Financial information and technology service

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit from each segment before tax without allocation of other income, other expenses, other gains and losses (excluding impairment losses recognised (reversed) on trade receivables, retention receivables and contract assets), administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

Geographical information

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

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

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

Information about major customers

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

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

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

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

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**109**	34
Others	**1,911**	699
	2,020	733

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Impairment losses recognised (reversed) on:		
— Trade receivables	**1,884**	111
— Retention receivables	**(242)**	–
— Contract assets	**(570)**	–
	1,072	111
Net foreign exchange gains	**(15)**	–
Loss on disposal of property, plant and equipment	**39**	57
	1,096	168

8. OTHER EXPENSES

Other expenses included legal and professional fee of approximately HK$nil (2017: HK$1,155,000), which was incurred in the transfer of the Company's shares from listing on GEM to Main Board in prior year; and charitable donations of approximately HK$220,000 (2017: HK$1,262,000).

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
Bank borrowings	**1,795**	648
Bank overdrafts	**23**	8
Advances from customers	**112**	40
	1,930	696

10. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit before tax has been arrived at after charging:		
Directors' emoluments (Note 11)	**4,206**	7,036
Salaries and other allowances	**83,458**	83,866
Retirement benefit scheme contributions, excluding those of directors	**4,708**	2,938
Total staff costs	**92,372**	93,840
Auditor's remuneration	**2,430**	1,150
Depreciation of property, plant and equipment	**1,758**	1,125
Minimum lease payments paid under operating leases in respect of		
— Office premises	**7,700**	3,791
— Director's quarter (included in directors' emoluments)	**764**	731

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

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

For the year ended 31 December 2018

	Directors' fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonus HK$'000 (Note a)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Gao Yunghong (chairman) (Note b)	10	–	–	–	10
Ng Kin Siu (chief executive officer) (Note c)	–	3,465	150	18	3,633
Qi Gang (Note d)	10	–	–	–	10
Lu Xin (Note d)	5	–	–	–	5
Zhu Wenhui (Note e)	5	–	–	–	5
Chung Yuk Ming Christopher (Note f)	–	17	–	–	17
Ip Kong Ling (Note g)	–	17	–	–	17
Independent non-executive directors:					
Chan Yuk Sang (Note h)	163	–	–	–	163
Wan Chi Wai Anthony (Note h)	163	–	–	–	163
Lau Kwok Fai Patrick (Note h)	163	–	–	–	163
Chan Chun Hong (Note i)	5	–	–	–	5
Chan Kai Nang (Note i)	5	–	–	–	5
Lau Yiu Kit (Note i)	5	–	–	–	5
Wu Chun Wah (Note j)	5	–	–	–	5
	539	3,499	150	18	4,206

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

Directors (Continued)

For the year ended 31 December 2017

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

Notes:

(a) The discretionary bonus is determined with consideration of the performance for the years of the group entities.

(b) Mr. Gao Yunhong was appointed as the executive director and the chairman of the board of directors of the Company (the "**Board**") on 5 January 2018.

(c) Mr. Ng Kin Siu resigned from the role of chairman of the Board on 5 January 2018. His emoluments disclosed above included those services rendered by him as the chief executive.

(d) Mr. Qi Gang and Mr. Lu Xin were appointed as the executive directors of the Company on 5 January 2018 and 18 July 2018, respectively.

(e) Ms. Zhu Wenhui was appointed as the executive director of the Company on 5 January 2018 and has resigned on 18 July 2018.

(f) Mr. Chung Yuk Ming Christopher has resigned as the executive director of the Company on 5 January 2018.

(g) Mr. Ip Kong Ling was the project director of the Group and appointed as the executive director of the Company on 3 November 2017 and has resigned on 5 January 2018.

(h) Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick were appointed as the independent non-executive directors of the Company on 12 January 2018.

(i) Mr. Chan Chun Hong, Mr. Chan Kai Nang and Mr. Lau Yiu Kit have resigned as the independent non-executive directors of the Company on 12 January 2018.

(j) Dr. Wu Chun Wah was appointed as the independent non-executive director of the Company on 3 November 2017 and has resigned on 12 January 2018.

(k) Mr. Lai Pak Wei has resigned as the executive director of the Company on 3 November 2017.

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

Directors (Continued)

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

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

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

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

Employees

The five highest paid employees of the Group for the year ended 31 December 2018 included one director (2017: four directors), details of whose remuneration are set out above. For the year ended 31 December 2017, Mr. Ip Kong Ling, one of the directors with highest emoluments in the Group resigned as director with effect from 3 November 2017 and his remuneration as director are included above.

For the year ended 31 December 2018, the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Company is as below. For the year ended 31 December 2017, the remuneration of the remaining one highest paid employee who is neither a director nor chief executive of the Company and the remuneration of Mr. Ip Kong Ling for the period from 1 January 2017 to 2 November 2017 as the project director of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other allowances	**4,110**	2,117
Discretionary bonus	**456**	302
Retirement benefit scheme contributions	**66**	33
	4,632	2,452

For the year ended 31 December 2018, the remuneration of the remaining four individuals (2017: one individual), and Mr. Ip Kong Ling (including those emoluments he received/receivable during his directorship), were within the following bands:

	2018 **No. of** **employees**	2017 No. of employees
HK$1,000,001 to HK$1,500,000	**4**	2

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

12. DIVIDENDS

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

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

13. INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Current tax:		
Hong Kong	**4,176**	7,082
PRC Enterprise Income Tax	**13,644**	–
	17,820	7,082
Overprovision in prior years:		
Hong Kong	**(70)**	(60)
Deferred tax (Note 25)	**(429)**	(53)
Income tax expense	**17,321**	6,969

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

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

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

13. INCOME TAX EXPENSE (CONTINUED)

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

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

14. EARNINGS PER SHARE

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
COST					
As at 1 January 2017	1,169	389	1,353	2,817	5,728
Additions	285	69	–	612	966
Disposal/written-off	–	(31)	(60)	(347)	(438)
As at 31 December 2017	1,454	427	1,293	3,082	6,256
Additions	3,227	243	–	587	4,057
Disposal/written-off	–	–	–	(60)	(60)
As at 31 December 2018	4,681	670	1,293	3,609	10,253
DEPRECIATION					
As at 1 January 2017	404	150	649	1,147	2,350
Provided for the year	251	80	232	562	1,125
Eliminated on disposals/ written off	–	(19)	(60)	(270)	(349)
As at 31 December 2017	655	211	821	1,439	3,126
Provided for the year	798	93	228	639	1,758
Eliminated on disposals/ written off	–	–	–	(21)	(21)
As at 31 December 2018	1,453	304	1,049	2,057	4,863
CARRYING VALUES					
As at 31 December 2018	3,228	366	244	1,552	5,390
As at 31 December 2017	799	216	472	1,643	3,130

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

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

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

17. CONTRACT ASSETS

	31.12.2018 HK$'000	1.1.2018* HK$'000
Contracting service (Note)	**147,704**	206,898
Financial information and technology service	**15,747**	–
	163,451	206,898

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

Note: As at 31 December 2018, contract assets of approximately HK$21,658,000 (2017: HK$nil) are due from a related party, Land Ease Limited ("**Land Ease**"), a company wholly-owned by Mr. Ng Kin Siu.

As at 31 December 2018, included in contract assets are retention held by customers for contract works amounted to approximately HK$44,966,000 (1 January 2018: HK$31,876,000), in which approximately HK$4,258,000 (2017: HK$nil) are retention held by Land Ease. The retention money were expected to be recovered or settled in more than twelve months from the end of the reporting period.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are set out in Note 5.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment are set out in Note 32.

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

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

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

19. TRADE AND OTHER RECEIVABLES

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

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

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Included in the trade receivables as at 31 December 2018, approximately HK$10,847,000 (2017: HK$nil) are due from Land Ease. The trade receivables due from Land Ease as at 31 December 2018 are all aged within 30 days, based on certificate/invoices dates.

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

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

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

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

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

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Movement in the allowance for doubtful debts on retention receivables:

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

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 32.

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2018, deposits amounting to HK$33,194,000 (2017: HK$35,999,000) have been pledged to banks to secure banking facilities granted to the Group and guarantee line for issuing surety bonds (see Note 28). The bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The pledged bank deposit/bank balances carry interest at market rates which are as follows:

	2018	2017
Range of interest rates per annum:		
Pledged bank deposits	**N/A to 0.400%**	N/A to 0.180%
Bank balances	**0.01% to 0.25%**	0.001% to 0.02%

21. TRADE AND OTHER PAYABLES/ADVANCES FROM CUSTOMERS

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

Notes:

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

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

(c) Included in the balance as at 31 December 2018, approximately HK$647,000 (2017: HK$nil) are due to a related company, Shenzhen Dafy Technology Holding Co., Ltd. ("**Shenzhen Dafy**"), a company controlled by Mr. Gao for rental expenses payable to Shenzhen Dafy in respect of the risk management and operations management system.

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

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

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

22. CONTRACT LIABILITIES

	31.12.2018 HK$'000	1.1.2018* HK$'000
Deposits from customers	7,294	8,075
Advances from customers (Note a)	6,581	6,581
	13,875	14,656

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

Note a: Advances from customers are unsecured and will be set off progress billings. Included in the balance as at 31 December 2018 and 1 January 2018, HK$3,000,000 carry interest at a rate of 5.25% and the remaining balance is interest-free.

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

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

Typical payment terms which impact on the amount of contract liabilities recognised are as set out in Note 5.

23. AMOUNT DUE TO A SHAREHOLDER

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

24. BANK BORROWINGS

The variable-rate secured bank borrowings are repayable as follows:

	2018 HK$'000	2017 HK$'000
Carrying amount of bank borrowings that are repayable on demand or within one year (shown under current liabilities)	53,400	52,623

As at 31 December 2018 and 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 (see Note 20).

24. BANK BORROWINGS (CONTINUED)

As at 31 December 2018, the Group's variable-rate bank borrowings are all denominated in HK$ (2017: HK$) and carry interest at rates ranging from Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.5% to HIBOR plus 2.7% per annum (2017: ranging 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:

	2018	2017
Variable-rate per annum:		
Bank borrowings	**4.77%–4.97%**	2.99%–4.19%

25. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**270**	–
Deferred tax liabilities	**(76)**	(235)
	194	(235)

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

	Accelerated tax depreciation HK$'000	**ECL provision** HK$'000	**Total** HK$'000
At 1 January 2017	(288)	–	(288)
Credited to consolidated statement of profit or loss (Note 13)	53	–	53
At 31 December 2017	(235)	–	(235)
Credited to consolidated statement of profit or loss (Note 13)	159	270	429
At 31 December 2018	(76)	270	194

25. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$39,367,000 (2017: HK$nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Number of Shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 2018	1,232,000,000	12,320

27. RETIREMENT BENEFIT PLANS

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

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

28. SURETY BONDS AND CONTINGENT LIABILITY

Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds and secured by pledged bank deposits (see Note 20). In addition, the Group provided a counter-indemnity to the financial institutions that issue such surety bonds.

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

29. OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

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

30. RELATED PARTY DISCLOSURES

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

	2018 HK$'000	2017 HK$'000
Shenzhen Dafy		
Rental expenses in respect of risk management and operations management system	**647**	–
Dafy Yundai Technology (Beijing) Co., Ltd. (Note a)		
Rental expenses in respect of hardware and software system	**624**	–
Rental expenses in respect of office premises	**1,162**	–
Land Ease		
Contracting service income	**59,978**	–
Eagle Crown Holdings Limited (Note b)		
Contracting service income	**1,159**	–

Notes:

(a) The company is controlled by Mr. Gao.

(b) The company is controlled by Mr. Ng Kin Siu.

(b) Compensation of key management personnel

The directors are identified as key management members of the Company, and their compensation during the year were set out in Note 11.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank borrowings disclosed in Note 24 and amount due to a shareholder disclosed in Note 23, net of cash and cash equivalents and equity, comprising paid in capital and reserves.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost	**240,397**	–
Equity instruments at FVTOCI	**44,766**	–
Loans and receivables (including bank balances and cash)	**–**	194,565
Financial liabilities		
Amortised cost	**192,226**	132,461

32b. Financial risk management objectives and policies

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

Market risk

Interest rate risk

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

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

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

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. The Group's equity price risk is mainly concentrated on equity instruments in bank industry sector which listed in the Stock Exchange.

The directors of the Company consider that the exposure to other price risk is minimal and therefore, no sensitivity analysis is prepared.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 28. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2018 on trade receivables from the Group's five major customers amounting to HK$26,147,000 (2017: HK$60,384,000) and accounted for 17% (2017: 55%) of the Group's total trade receivables. The major customers of the Group are certain reputable organisations. The directors of the Company consider that the credit risk is limited in this regard.

Other receivables/retention receivables/bank balances/pledged bank deposits

In determining the ECL for other receivables and retention receivables, the directors of the Company have taken into account for the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical low default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables is insignificant.

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and have past-due amounts that are less than 30 days as at the reporting date	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32. FINANCIAL INSTRUMENTS (CONTINUED)

32b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's trade receivables and contract assets, which are subject to ECL assessment:

2018	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Trade receivables	N/A	Note 1	Lifetime ECL (provision matrix)	159,318
Other items				
Contract assets	N/A	Note 1	Lifetime ECL (provision matrix)	164,020

Note 1:

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix — internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired).

32. FINANCIAL INSTRUMENTS (CONTINUED)

32b. Financial risk management objectives and policies (Continued)

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	0.54%	123,317	164,020
Watch list	2.96%	36,001	–
		159,318	164,020

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided HK$1,884,000 and reversed HK$570,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Trade receivable Lifetime ECL (not credit-impaired) HK$'000	Contract assets Lifetime ECL (not credit-impaired) HK$'000
As at 31 December 2017 under HKAS 39	–	–
Adjustment upon application of HKFRS 9	135	1,139
As at 1 January 2018 — as restated	135	1,139
Impairment loss recognised (reversed)	1,884	(570)
As at 31 December 2018	2,019	569

32. FINANCIAL INSTRUMENTS (CONTINUED)

32b. Financial risk management objectives and policies (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Total carrying value HK$'000
At 31 December 2018				
Trade and other payables	**–**	**86,471**	**86,471**	**86,471**
Amount due to a shareholder	**–**	**52,355**	**52,355**	**52,355**
Variable-rate bank borrowings	**4.92**	**53,400**	**53,400**	**53,400**
Financial guarantee contract (Note)	**–**	**16,110**	**16,110**	**–**
		208,336	**208,336**	**192,226**

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

Note: Certain customers of construction contracts undertaken by the Group require the group entities to issue guarantees for performance of contract works in the form of surety bonds (see Note 28). The amount included above for financial guarantee contract represented the amount of counter-indemnity the Group provided to the financial institutions that issue such surety bonds.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2018 and 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$53,857,000 and HK$52,674,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Aggregate principal and interest cash outflows are set out below:

	Weighted Average Effective Interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018					
Bank borrowings — variable rate	**4.92**	**48,324**	**5,533**	**53,857**	**53,400**
At 31 December 2017					
Bank borrowings — variable rate	3.73	47,189	5,485	52,674	52,623

32c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
	HK$'000	HK$'000		
Listed equity securities at FVTOCI	**44,766**	–	Level 1	Quoted bid price in an active market

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable HK$'000	Bank borrowings HK$'000 (Note 24)	Amount due to a shareholder HK$'000	Dividend payables HK$'000	Total HK$'000
At 1 January 2018	–	52,623	–	–	52,623
Financing cash flows	(1,930)	777	52,355	–	51,202
Interest expenses (Note 9)	1,930	–	–	–	1,930
At 31 December 2018	–	53,400	52,355	–	105,755
At 1 January 2017	–	4,424	–	–	4,424
Financing cash flows	(696)	48,199	–	(9,856)	37,647
Dividends recognised as distribution (Note 12)	–	–	–	9,856	9,856
Interest expenses (Note 9)	696	–	–	–	696
At 31 December 2017	–	52,623	–	–	52,623

34. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

No options have been granted since its adoption.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

35.1 General information of principal subsidiaries

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

Name of subsidiary	Place and date of incorporation/ operation	Equity interest attributable to the Company At 31 December 2018	2017	Issued and fully paid share capital/ registered capital	Principal activities
FDB & Associates Limited*	BVI/Hong Kong 25 February 2015	**100%**	100%	Ordinary share USD1	Investment holding
Fruit Design	Hong Kong 7 December 2006	**100%**	100%	Ordinary shares HK$5,000,000	Contracting business and provision of building consultancy services
Win Lee Building	Hong Kong 10 May 1999	**100%**	100%	Ordinary shares HK$1,000,000	Contracting business and project management mainly for property refurbishment and renovation
上海飛毓科技有限公司 (Shanghai Faye Yu Technology Company Limited)	The PRC 13 April 2018 (Note 2)	**100%**	–	Registered RMB$5,000,000	Provision of computer information network, electronic technology development consulting and advertising
Shangrao Dafy (Note 1)	The PRC 12 June 2018 (Note 3)	**51%**	–	Registered RMB$100,000,000	Financial information and technology service
深圳雲騰達飛科技有限公司	The PRC 18 September 2018 (Note 4)	**51%**	–	Registered RMB$10,000,000	Cost Centre
北京雲揚達飛科技有限公司	The PRC 3 August 2018 (Note 4)	**51%**	–	Registered RMB$10,000,000	Cost Centre

* Directly held by the Company

Note 1: On 3 August 2018 ("**Acquisition Date**"), the Group acquired 51% of equity interest of Shangrao Dafy from Mr. Gao at a consideration of Renminbi ("**RMB**") 1. Shangrao Dafy was established under the laws of the PRC on 12 June 2018 and was inactive and has not generated any revenue or profit since its establishment to the Acquisition Date. At the Acquisition Date, Shangrao Dafy has no assets and liabilities.

Since the Acquisition Date, the non-controlling shareholder contributed capital injection of approximately HK$11,375,000 to Shangrao Dafy.

Note 2: Wholly foreign-owned enterprise registered in the PRC.

Note 3: Sino-foreign equity joint venture.

Note 4: Limited liability company.

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

35.2 Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place and date of incorporation/ operation	Proportion of equity interest and voting rights held by the non-controlling interests At 31 December 2018	2017	Profits allocated to non-controlling interests 2018 HK$'000	2017 HK$'000	Accumulated non-controlling interests 2018 HK$'000	2017 HK$'000
Shangrao Dafy	The PRC 12 June 2018	49%	–	19,348	–	30,794	–
Individually immaterial subsidiaries with non-controlling interests						(109)	–
						30,685	–

Summarised financial information in respect of Shangrao Dafy that has material non-controlling interests is set out below.

	2018 HK$'000	2017 HK$'000
Current assets	89,209	–
Non-current assets	294	–
Current liabilities	(26,659)	–
Non-current liabilities	–	–
Equity attributable to owners of the Company	32,050	–
Non-controlling interests	30,794	–

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

35.2 Details of a non-wholly owned subsidiary that has material non-controlling interests (Continued)

	Year ended 31.12.2018 HK$'000	Year ended 31.12.2017 HK$'000
Revenue	71,795	–
Expenses	(32,310)	–
Profit for the year	39,485	–
Profit attributable to owners of the Company	20,137	–
Profit attributable to the non-controlling interests	19,348	–
Profit for the year	39,485	–
Other comprehensive income attributable to owners of the Company	39	–
Other comprehensive income attributable to the non-controlling interests	37	–
Other comprehensive income for the year	76	–
Total comprehensive income attributable to owners of the Company	20,176	–
Total comprehensive income attributable to the non-controlling interests	19,385	–
Total comprehensive income for the year	39,561	–
Net cash outflow from operating activities	(8,160)	–
Net cash outflow from investing activities	(343)	–
Net cash inflow from financing activities	11,375	–
Net cash inflow	2,872	–

36. EVENTS AFTER REPORTING PERIOD

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

For details, please refer to the announcement of the Company dated 24 January 2019.

37. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**2**	–
Amount due from subsidiaries	**34,666**	31,950
	34,668	31,950
Current assets		
Other receivables and prepayments	**444**	281
Amounts due from subsidiaries	**–**	341
	444	622
Current liabilities		
Accrued charges	**1,680**	142
Amounts due to subsidiaries	**7,205**	–
	8,885	142
Net current (liabilities) assets	**(8,441)**	480
Net assets	**26,227**	32,430
Capital and reserves		
Share capital (see Note 26)	**12,320**	12,320
Reserves	**13,907**	20,110
Total equity	**26,227**	32,430

37. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

Movement in the Company's reserve

	Share premium HK$'000	Retained earnings (accumulated losses) HK$'000	Total HK$'000
At 1 January 2017	21,440	13,294	34,734
Dividends recognised as distribution (Note 12)	–	(9,856)	(9,856)
Loss and total comprehensive expenses for the year	–	(4,768)	(4,768)
At 31 December 2017	21,440	(1,330)	20,110
Loss and total comprehensive expenses for the year	–	(6,203)	(6,203)
At 31 December 2018	21,440	(7,533)	13,907

FINANCIAL SUMMARY

For the five years ended 31 December 2014, 2015, 2016, 2017 and 2018

RESULTS

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
Revenue	199,554	276,825	395,781	744,755	**648,541**
Profit before tax	23,214	19,836	37,667	38,152	**68,617**
Income tax expense	(4,094)	(4,519)	(6,493)	(6,969)	**(17,321)**
Profit and total comprehensive income for the year	19,120	15,317	31,174	31,183	**46,096**

ASSETS AND LIABILITIES

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000**
Total assets	122,203	149,525	228,029	388,019	**471,062**
Total liabilities	(80,649)	(82,556)	(137,894)	(276,557)	**(303,403)**
Net assets	41,554	66,969	90,135	111,462	**167,659**