

FRASER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8366



Annual Report
2017

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yu Shek Man Ringo

(Chairman and Chief Executive Officer)

Ms. Wong So Wah

Non-Executive Director

Mr. Cheung Kin Keung Martin

Independent Non-Executive Directors

Mr. Law Yiu Sing

Mr. Wong Kwok Chuen

Mr. Wong Law Fai

AUDIT COMMITTEE

Mr. Law Yiu Sing *(Chairman)*

Mr. Wong Kwok Chuen

Mr. Wong Law Fai

NOMINATION COMMITTEE

Mr. Wong Kwok Chuen *(Chairman)*

Mr. Law Yiu Sing

Mr. Wong Law Fai

REMUNERATION COMMITTEE

Mr. Wong Law Fai *(Chairman)*

Mr. Yu Shek Man Ringo

Mr. Wong Kwok Chuen

LEGAL COMPLIANCE COMMITTEE

Mr. Law Yiu Sing *(Chairman)*

Mr. Wong Kwok Chuen

Mr. Wong Law Fai

Ms. Wong So Wah

Mr. Yiu Chun Wing (resigned on 30 June 2017)

COMPANY SECRETARY

Mr. Yiu Chun Wing (resigned on 30 June 2017)

Ms. Hui Wai Man, Shirley

(appointed on 30 June 2017)

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISER

As to Hong Kong Law

Loong & Yeung

Solicitors, Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Ltd.

Clifton House

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1122, 11/F

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11 Yip Hing Street

Wong Chuk Hang, Hong Kong

COMPANY WEBSITE

www.fraserholdings.com

(information of this website does not form part of this report)

STOCK CODE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Fraser Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our consolidated financial results of the Group for the year ended 30 April 2017 (the "**Year**").

RESULTS PERFORMANCE

In the 2016/17 financial year, the total revenue of the Group decreased by approximately HK\$32.0 million or 17.7% from approximately HK\$180.6 million for the year ended 30 April 2016 to approximately HK\$148.6 million for the year ended 30 April 2017. In line with such decrease in revenue and gross profit, the profit for the 2016/17 financial year was decreased by approximately HK\$2.6 million or 36.1% to approximately HK\$4.6 million compared with the 2015/2016 financial year.

BUSINESS REVIEW AND PROSPECT

During the year ended 30 April 2017, the overall market condition of the construction industry in Hong Kong was relatively challenges. The increasing labour costs have also posed plenty of challenges to the Group. Undoubtedly, all such factors have adversely affected the industry and the business environment in which the Group operates.

Nevertheless, our Group remains positive about the prospects of the local construction market and will continue to focus on our core business.

We will also closely monitor the market and enhance our capability to foresee and respond to changes in market conditions.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all shareholders, customers, subcontractors and business partners for their continuous support and trust to our Group and my fellow directors and all staff for their considerable contributions to the Group.

Mr. Yu Shek Man Ringo

Chairman and Executive Director

Hong Kong, 25 July 2017

HIGHLIGHTS

HK\$ 148.6m

2016: HK\$180.6m

REVENUE

HK\$0.32 cents

2016: HK\$0.54 cents

EARNINGS PER SHARE

HK\$9.3m

2016: HK\$18.1m

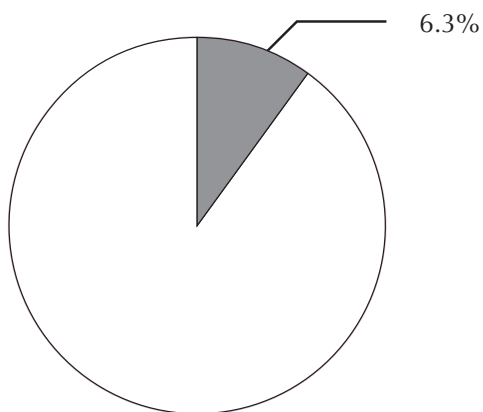
GROSS PROFIT

HK\$4.6m

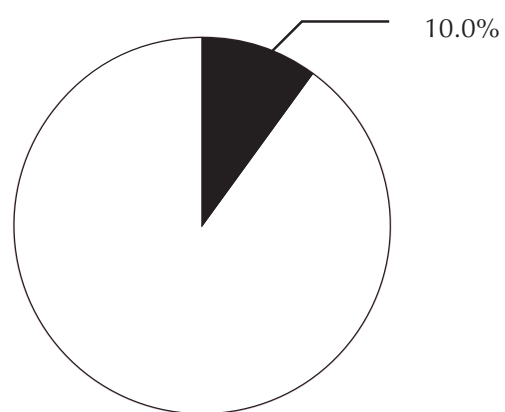
2016: HK\$7.2m

NET PROFIT

GROSS PROFIT MARGIN FY2017



GROSS PROFIT MARGIN FY2016



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a contractor principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Foundation works are generally concerned with the construction of foundations. General building works mainly include the general construction of buildings. Fraser Construction Company Limited, our principal operating subsidiary, is an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the Government under the categories of “Landslip Preventive/ Remedial Works to Slopes/Retaining Walls” with a confirmed status and “Land Piling (Group II)”. Being on such list is a prerequisite for tendering for public sector projects in the relevant works categories. In addition, Fraser Construction Company Limited is registered under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as a (i) Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories; and (ii) Registered General Building Contractor.

The Group experienced a decrease in revenue and net profit for the year ended 30 April 2017 compared to the same period last year. The Directors consider that the decrease was mainly due to a decrease in gross profit margin for the Group’s business as a result of an increase in the overall construction costs in Hong Kong, coupled with a decrease in revenue derived from the slope works as a result of competition faced by the Group in obtaining new businesses and the completion of some government slope work projects.

The Directors are also cautiously monitoring the overall construction costs with respect to the works undertaken by the Group which are affected by factors including the overall market conditions and costs in the construction industry as well as overall economy in Hong Kong. The Group has been facing tougher competitive conditions and challenging operating environment resulting from increasing costs of operation including, in particular, costs of construction labours and thus subcontracting charges as well as the recent instability of the global economy.

Going forward, in developing the Group’s business, the Directors will continue to carefully evaluate the potential costs and to control the Group’s overall costs to an acceptable and satisfactory level.

All things considered, the Directors are still cautiously optimistic about the slope works industry in Hong Kong in general because the fact the slope works are directly related to public safety.

Since 1 May 2015 and up to the date of this report, the Group has obtained public projects from each of Civil Engineering and Development Department and Lands Department of the Government respectively, which are expected to be completed in the years ending 30 April 2018 and 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased by approximately HK\$32.0 million or 17.7% from approximately HK\$180.6 million for the year ended 30 April 2016 to approximately HK\$148.6 million for the year ended 30 April 2017. The decrease in revenue is mainly due to the decrease in revenue derived from undertaking slope works, as further discussed below.

The Board regards the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong. The Group's principal operating activities for the year ended 30 April 2017 are as follows:

Slope works: Undertaking landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Revenue from undertaking slope works decreased from approximately HK\$155.1 million for the year ended 30 April 2016 to approximately HK\$125.1 million for the year ended 30 April 2017, representing a decrease of approximately 19.3%. The decrease in revenue was primarily attributable to a lower amount of revenue from Civil Engineering and Development Department's slope works projects for the year ended 30 April 2017, which was due to certain delays in the work schedule under some of the Group's slope work projects and less work orders received from its slope work projects, as well as the completion of certain public sector slope work projects.

Foundation works: Undertaking works in relation to the construction of foundations for general building construction. Revenue from undertaking foundation works increased from approximately HK\$20.1 million for the year ended 30 April 2016 to approximately HK\$21.0 million for the year ended 30 April 2017, representing an increase of approximately 4.5%, which was due to an increase in number of foundation projects undertaken by our Group during the year ended 30 April 2017.

General building works: Undertaking general construction of buildings. Revenue from undertaking general building works decreased from approximately HK\$5.2 million for the year ended 30 April 2016 to approximately HK\$2.2 million for the year ended 30 April 2017, representing a decrease of approximately 57.7%, which was due to lower actual works progress under the contract as certified by its agents compared between the years ended 30 April 2017 and 2016.

Others: Provision of consultancy services in relation to the management of projects involving slope works and/or other general building works in Hong Kong. Revenue from the provision of consultancy services increased from approximately HK\$0.1 million for the year ended 30 April 2016 to approximately HK\$0.3 million for the year ended 30 April 2017, representing an increase of approximately 200.0%, as there is an increase of number of consultancy services for the year ended 30 April 2017 compared with the year ended 30 April 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's direct costs decreased by approximately HK\$23.2 million or 14.3% from approximately HK\$162.5 million for the year ended 30 April 2016 to approximately HK\$139.3 million for the year ended 30 April 2017. Such decrease was mainly attributable to the decrease in amount of works performed, which resulted in the decrease in our subcontracting charges.

The Group's gross profit decreased by approximately HK\$8.8 million or 48.6% from approximately HK\$18.1 million for the year ended 30 April 2016 to approximately HK\$9.3 million for the year ended 30 April 2017 and the Group's gross profit margin decreased from approximately 10.0% for the year ended 30 April 2016 to approximately 6.3% for the year ended 30 April 2017. The decrease in gross profit margin was mainly due to a higher subcontracting rate for the new projects as a result of the tougher competitive conditions and challenging operating environment.

Other income

The Group's other income amounted to approximately HK\$0.3 million and HK\$3.1 million for the years ended 30 April 2016 and 2017 respectively, representing an increase of approximately 933.3%, which was mainly due to the increase in gain on disposal of property, plant and equipment of approximately HK\$1.7 million during the year ended 30 April 2017 and also the interest income derived from available-for-sale financial assets of approximately HK\$1.1 million during the year ended 30 April 2017.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$2.3 million or 26.1% from approximately HK\$8.8 million for the year ended 30 April 2016 to HK\$6.5 million for the year ended 30 April 2017. The decrease in the Group's administrative expenses were mainly due to the listing expenses of approximately HK\$3.3 million incurred during the year ended 30 April 2016, while there was no such expenses incurred during the year ended 30 April 2017, which is partially offset by the increase in administrative expenses after the Listing.

Net Profit

Profit attributable to owners of the Company for the year decreased by approximately HK\$2.6 million or 36.1% from approximately HK\$7.2 million for the year ended 30 April 2016 to approximately HK\$4.6 million for the year ended 30 April 2017. Such decrease was mainly due to the decrease in the Group's revenue and gross profit margin as discussed above, which was partially offset by the decrease in administrative expenses as discussed above.

Final Dividend

The Board did not recommend a payment of a final dividend for the year ended 30 April 2017 (2016: nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 April 2017, the Group's operations, capital expenditure and other capital requirements were funded by internal resources, credit facilities from banks and net proceeds raised from the Placing. As aforementioned, the Company successfully listed on GEM on 2 November 2015. Based on the Placing price of HK\$0.20 per Placing share and 205,000,000 new shares issued, the net proceeds from the Placing was approximately HK\$31.3 million, deducting all Listing expenses. The Directors are of the view that as at the date hereof, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate business opportunities arise under favorable market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH POSITION

As at 30 April 2017, the cash at banks and in hand of the Group amounted to approximately HK\$67.0 million (2016: approximately HK\$74.9 million), representing a decrease of approximately HK\$7.9 million as compared to that as at 30 April 2016.

CHARGES OVER ASSETS OF THE GROUP

The Group has total present value of minimum lease payments in relation to finance lease, which are secured by the relevant leased office equipment amounting to approximately HK\$73,000 as at 30 April 2017 (2016: HK\$96,000).

No charge over assets of the Group as at 30 April 2017 (2016: Nil).

GEARING RATIO

As at 30 April 2017, the gearing ratio of the Group was approximately 0.1% (2016: approximately 0.1%). The gearing ratio is calculated as total debt divided by the total equity as the respective reporting date. For this purpose total debt is defined as current and non-current obligation under finance lease as shown in the consolidated statement of financial position. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operation.

FOREIGN EXCHANGE EXPOSURE

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. For the year ended 30 April 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 30 April 2017.

CAPITAL COMMITMENTS

As at 30 April 2017, the Group did not have material capital commitments (2016: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 April 2017, the Group had 56 (2016: 64) employees, including the Directors. Total staff costs (including directors' emoluments) were approximately HK\$4.7 million for the year ended 30 April 2017 as compared to approximately HK\$8.7 million for the year ended 30 April 2016. The remuneration policy and package of the Group's employees were annually reviewed. The salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The emoluments of the Directors were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, and approved by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 30 April 2017. Save for the business plan as disclosed in the Company's prospectus (the "**Prospectus**") dated 23 October 2015, there is no plan for material investments or capital assets as at 30 April 2017.

CONTINGENT LIABILITIES

As at 30 April 2017, the Group had no material contingent liabilities (2016: nil).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 2 November 2015. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 April 2017, the Company's issued capital was HK\$14,400,000 and the number of its issued ordinary shares was 1,440,000,000 of HK\$0.01 each.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 5 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarized as follows:

- i. A significant portion of the Group's past revenue was generated from contracts granted by the Government and statutory bodies, which are non-recurrent in nature, and the reduction in the level of Government's spending on construction projects particularly for slope works may materially affect the Group's financial performance;
- ii. The Group is dependent on its senior management and in-house engineers, inability to retain its staff may adversely affect the Group's business operations; and
- iii. Any delays in the Group's projects may affect the Group's cash flows and may have adverse impact on the Group's business and reputation.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to noise control, air pollution control, water pollution control and waste disposal control.

The Group has established measures and work procedures governing environmental protection compliance that are required to be followed by its employees and subcontractors. Such measures and procedures include, among others:

| Area | Measure |
|-------------------------|--|
| Noise control | <ol style="list-style-type: none">i. Noise assessment will be conducted while necessary if the construction activities may affect the neighbourhood.ii. Construction Noise Permit (CNP) will be applied from Environmental Protection Department if working outside the period below.iii. The permitted hours for operation at project site is from 7:00 a.m. to 7:00 p.m. Monday to Saturday. Works are not permitted on general public holidays. |
| Air pollution control | <ol style="list-style-type: none">i. Appropriate air pollution control system, equipment or measure shall be operated or implemented properly and effectively whenever plant/process/activity concerned is engaged in.ii. Any dusty materials remaining after stockpiles/debris is removed shall be wetted with water and cleared from the surface of roads or streets.iii. Plants/vehicles shall be well maintained to ensure a low level of dark smoke emission.iv. Open burning of refuse is strictly forbidden. |
| Water pollution control | <ol style="list-style-type: none">i. All sewer and drainage connections shall be sealed by sand bag to prevent blockage by debris, soil, sand, etc.ii. Wastewater generated from concreting, grouting, drilling, plastering, internal and external fabrication, cleaning, site clearance and similar activities shall not be discharged into storm drains. Sufficient sand bags should be placed around the drainage point to avoid and minimize the wastewater run-in. |
| Waste disposal control | <ol style="list-style-type: none">i. Labeled bins to be provided to allow segregation of recyclable materials whenever possible.ii. Disposal of public fill at the public filling facility as designated by Public Fill Committee (PFC) of CEDD and at other public filling facilities as may be required by CEDD, and to comply with their acceptable requirements. |

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30 April 2017, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations shall therefore comply with the relevant laws and regulations in Hong Kong. External compliance and legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the Year and up to the date of this report, there is no material non-compliance with the relevant prevailing laws and regulations in Hong Kong by the Group.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers mainly include (a) for public sector projects, Government departments such as CEDD, Lands Department and Architectural Services Department, as well as other statutory bodies including the Housing Authority; and (b) for private sector projects, private corporations and other entities in the private sector.

During the Year, the Group served customers from both of public and private sector in Hong Kong. During the Year, the Directors consider that the Group is not reliant on any single customer. The Group has business relationship with most of the top customers ranging from one year to over 10 years.

Suppliers and Subcontractors

During the Year, the suppliers of goods and services which were specific to the business of the Group and were required on a regular basis to enable the Group to continue to carry on its business included (i) subcontractors engaged by the Group to perform the slope works; (ii) suppliers of construction materials and consumables as such high-tensile steel, structural steel, cement and aggregates.

The Group maintains an internal list of approved subcontractors. While engaging subcontractors, the Group generally selects the most suitable subcontractor from the approved list based on their relevant experience as well as their availability and fee quotations.

The Group did not experience any material difficulties in sourcing materials from suppliers or assigning subcontractors during the Year. Also, there is no significant dispute with our top five suppliers and subcontractors during the Year.

Employees

The Group believes that employees are important assets and their contribution and support are valued at all times. The Group provides competitive remuneration packages to attract and retain employees with the aim to form a professional staff and management team that can bring the Group to new levels of success. The Group regularly reviews compensation according to industry benchmark, financial results as well as the individual performance of employees. Furthermore, the Group places great emphasis on the training and development of employees and regards excellent employees as a key factor in its competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Comparison of Business Objectives with Actual Business Progress

| | Business objectives up to 30 April 2017 as stated in the Prospectus | Actual business progress up to 30 April 2017 |
|--|---|--|
| Further developing our business by undertaking more projects | <p>Submit more tenders for both public sector projects and private sector projects with a primary focus on slope work when suitable opportunities arise.</p> <p>Undertake more projects should the Group be able to identify and secure suitable business opportunities, with HK\$16.86 million earmarked for this period for satisfying the various working capital requirements as discussed in the section headed “Business – Business strategies – 1. Further developing our business by undertaking more projects” in the prospectus dated 23 October 2015 in relation to our projects on hand from time to time including those that may potentially be awarded to us in view of our plan to increase our number of tender submissions.</p> | <p>The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has undertaken certain new construction projects during the year ended 30 April 2017 to satisfy the working capital requirement.</p> |
| Further strengthening our manpower | <p>Recruit one additional technical assistant and one additional accountant to cope with our business development and our plan to undertake more projects.</p> <p>Continue to provide training to our existing and newly recruited staff.</p> | <p>The Group has employed additional staff to cope with the new projects and continued to sponsor staff to attend seminars and training courses.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

During the year ended 30 April 2017, the net proceeds from placing were applied as follows:

| | Planned use of proceeds as stated in the Prospectus up to 30 April 2017 HK\$'million | Actual use of proceeds up to 30 April 2017 HK\$'million |
|---|--|---|
| Satisfying various working capital requirements in relation to undertaking more projects | 16.86 | 13.28 |
| Further strengthening our manpower | 2.15 | 1.82 |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong during the year ended 30 April 2017 and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules (the "ESG Reporting Guide").

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

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

Emissions

The Group aim at advocating energy saving and environmental protection with a focus on developing sustainable business. The Group adopts various management measures to fulfill its energy saving and environmental protection responsibilities in compliance with local environmental laws and regulations and actively conducts relevant trainings. The Group has not identified any non-compliance with relevant environmental laws and regulations during the year ended 30 April 2017.

Meanwhile, the Group actively supports and maintains its role in environmental protection, strives to improve its environmental protection awareness, reinforces the concept of environmental protection in the Group and formulates the following environmental protection and management policies to mitigate the impacts on the environment:

- (i) Chemical management guidelines: the standard of storage, use and disposal of chemicals are stipulated. All chemicals are required to be stored in particular locations and not to be disposed in sewers to avoid contamination of water supply;
- (ii) Sewage management guidelines: it is stipulated that unprocessed sewage (such as mud sewage) should not be directly discharged into stormwater drains and is required to be filtered and processed in sedimentation tanks before being discharged into sewers;
- (iii) Waste management guidelines: it is stipulated that construction waste should be classified. In order to satisfy the requirements of relevant laws, building waste is transported to designated landfills by qualified transportation companies and recyclable waste is processed by recycling agents;
- (iv) Exhaust gas management guidelines: it is stipulated that good ventilation should be maintained and construction aggregate collectors should be placed on construction sites and continuous sprinkling should be used to mitigate the spread of dust. Sealed containers are used for volatile gas to reduce exhaust gas emission;
- (v) Noise management guidelines: noise should be minimized, such as turning off machines or turning down the operating speed of machines during breaks, relocating machines to less noise-sensitive places, using sound proof covers or noise barriers to reduce noise and maximizing the use of quiet devices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group is committed to have an environmental friendly working environment. The Group advocates to reducing the consumption of fuel, electricity, water and improving the resource efficiency by way of, inter alia, the following measures: (i) the Group encourages its employees to switch off the lights and electronic appliances before they leave the office; (ii) the Group encourages its employees to set the temperature of the office's air conditioner to 25.5 Degree Celsius; (iii) the Group encourages its employees to use double-sided printing instead of single-side printing; (iv) the Group arranges the surplus materials on the construction site to be re-used in other construction sites instead of dumping; (v) the Group encourages its employee to save water and reduce domestic sewage and water-saving notices are placed in office area; (vi) the Group ensures the water supply is at its optional working condition, and promptly repairs the water supply in the event of leakage.

The Environment and Natural Resources

The Group is fully aware of the environmental impacts that may arise during our business process. The Group regularly provides internal trainings and briefings in order to spread the practical tips and information about the environmental friendly action to its management and employees in order to minimize the impact of the business on the environment.

The Group has not identified any non-compliance with relevant environmental laws and regulations during the year ended 30 April 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 and have complied with relevant provisions of the local laws. 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 has not identified any non-compliance with relevant provisions of the local laws during the year ended 30 April 2017.

Summary of employment performance indicators:

| | 2016/17 |
|----------------------------|----------------|
| Number of Employees | 56 |
| By Gender | |
| Female | 15 27% |
| Male | 41 73% |
| By Age | |
| 18 or below | 0 |
| 19 to 40 | 26 |
| 41 to 60 | 21 |
| Over 60 | 9 |

Diversity

| Number of Employees by Employee Category | 2016/17 | | | | |
|---|----------------|------|-----------|----------|---------|
| | Gender | | Age Group | | |
| | Female | Male | 19 to 40 | 41 to 60 | Over 60 |
| Management | 1 | 5 | 0 | 5 | 1 |
| Technical/Supervisor | 5 | 26 | 14 | 10 | 7 |
| General staff | 9 | 10 | 12 | 6 | 1 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Turnover Rate

2016/17

Number and Rate (%) of Employee Turnover By Gender

34/56 (61%)

Female

11/15 (73%)

Male

23/41 (56%)

HEALTH AND SAFETY

Human resources are precious assets of the Group. The Group is committed to a high standard of health and safety and has formulated and implemented its health and safety policies. Prior to the commencement of each project, the Group conducts a risk assessment and provides specialised trainings for workers depending on the characteristics and difficulty of the project. Meanwhile, any staff (including administrative staff) who enters the construction site must undergo relevant health and safety trainings of the Group and also comply with the requirements of the Occupational Safety and Health Ordinance. Thus, the staff of the Group can work in a healthy and safe environment in order to reduce unnecessary accidents.

The Group conducts regular fire drills, introductions to the use of fire extinguishers and first-aid trainings to enhance employee's safety awareness.

In order to enhance safety management standards on an ongoing basis, the Group has engaged an external independent safety auditor to audit the safety management of the Group twice a year and report to the Labour Department, so as to continuously modify and improve the existing safety management. The Group has not identified any non-compliance with the relevant laws and regulations in respect of health and safety during the year ended 30 April 2017.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR STANDARDS

The Group strictly complies with the relevant requirements of the labour laws. All job applicants must conform to the age requirement specified by local laws. The Group forbids the recruitment of child or forced laborers, for which a comprehensive procedure of selection and recruitment is adopted. The Group conducts open recruitment for new employees based on the job requirements of different positions and will employ qualified candidates.

During the year ended 30 April 2017, the Group has not identified any non-compliance with the relevant laws and regulations in respect of labour standards.

SUPPLY CHAIN MANAGEMENT

Sustainable Procurement

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

PRODUCTS RESPONSIBILITY

As part of its mission, the Group tries it best to provide its customers with high-quality and professional products and services, and establishes a good long-standing relationships with its customers. In addition to providing services to customers, the Group has established good communication channels. It prepares surveys to certain customers in order to have a sufficient understanding of their needs, and reflect their needs in the daily project management as far as possible so as to improve the quality of services.

In respect of work completion and acceptance, the Group is required to examine each item on the list of work completion and acceptance, and the customers will provide a report on work completion and acceptance subject to their satisfaction. Moreover, the Group offers well-established after-sales services to customers for work maintenance. The Group seeks customers' feedback from after-sales visits to improve its products in the future and thus to enhance the quality of services of the Group as a whole.

In addition, the Group has established a comprehensive management system. The Group has been awarded ISO 9001, ISO 14001 and the certification on occupational health and safety management system ("OHSAS 18001").

For the year ended 30 April 2017, the Group has not identified any non-compliance cases relating to product responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

All staff are required to strictly follow the code on personal and professional conducts and the guidelines on anti-corruption conducts as provided in the staff regulations of the Group as follows:

1. Soliciting or accepting advantages including gift, loan, fee, reward, office, employment, contract, service and favour etc, from customers, suppliers or any other person in connection with the Group's interests is strictly prohibited. Acceptance of voluntarily given advantages may however be considered if:
 - (i) the acceptance will not influence the decision and behavior of the recipient;
 - (ii) the recipient will not feel obliged to do something in return for the offer;
 - (iii) the recipient can openly discuss the acceptance without reservation; and
 - (iv) the nature and value of advantage (like advertising or promotional gift) are such that refusal could be regarded as unsociable or impolite.
2. Under no circumstances should staff offer bribes or similar advantages to any person or company in order to obtain or retain business, or to acquire confidential business information, or to seek for any other return of personal advantages.

The Group has not identified any non-compliance with anti-corruption laws and regulations during the year ended 30 April 2017.

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 student through practical working experience to support talent development.

Caring for the Society

Corporate social responsibility via staff volunteerism, philanthropy and community service are 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. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬)), aged 60, is the founder and the chief executive officer of our Group and a Controlling Shareholder. He was appointed as our executive Director on 20 May 2015. He was appointed as the chairman of the Board on 14 October 2015. Mr. Yu is principally responsible for the overall business development and financial and strategic planning of our Group. He is also a director of Fraser Construction, Tubo Tech, True Sincere, Strong Move and Magic City. Mr. Yu is the spouse of Ms. Wong, an executive Director.

Mr. Yu obtained a Bachelor of Engineering-Civil degree from McGill University in Canada in November 1982. Mr. Yu has been registered as a Chartered Engineer with The Engineering Council in the United Kingdom since May 1987. Mr. Yu has also been a member of the Institution of Structural Engineers in the United Kingdom since November 1986 and a member of the Institution of Civil Engineers in the United Kingdom since May 1995. Mr. Yu has become a member and then a fellow of the Hong Kong Institution of Engineers since March 1990 and January 2006 respectively.

Mr. Yu has over 34 years of experience in the construction industry in Hong Kong. Prior to founding our Group, Mr. Yu had accumulated approximately 14 years of experience in the construction industry in Hong Kong through his employment in various firms including Vibro Construction Company Limited (formerly known as Barbican Construction Company, Ltd.) (at which his last position was project manager/director) from March 1987 to March 1989 and from November 1990 to June 1996, Ove Arup & Partners Hong Kong Limited (at which his position was senior structural engineer) from May 1990 to October 1990, John Connell & Associates Limited (at which his position was structural engineer) from April 1989 to March 1990, Siu Yin Wai & Associates Limited (at which his last position was associate) from June 1983 to March 1987, and GHD Limited (formerly known as Rankine & Hill (Hong Kong) Limited) (at which his last position was graduate engineer) from October 1982 to May 1983.

Mr. Yu received the Grand Leadership Award under the Professional Volunteer Service Accreditation Programme for the session 2013/2014 from The Hong Kong Institution of Engineers, Hong Kong Council of Volunteering and Agency for Volunteer Service in recognition of his contribution to volunteer service.

Ms. WONG So Wah (黃素華), aged 51, was appointed as our executive Director on 20 May 2015 and our compliance officer on 14 October 2015. Ms. Wong is also our administration director and is principally responsible for the overall management and administration of our business operations of our Group. She is also a director of all subsidiaries of the Company. Ms. Wong is the spouse of Mr. Yu, an executive Director, and a Controlling Shareholder. Ms. Wong joined our Group in May 2005 as an administration director of Fraser Construction.

Prior to joining our Group, she was employed by (i) Furla (HK) Limited as a sales administrator from January 2004 to April 2005; (ii) Jobson Publishing L.L.C. as a publishing services manager from July 1996 to December 2000; (iii) Miller Freeman (Hong Kong) Limited as an executive secretary from November 1991 to February 1996; (iv) Betafac Enterprise Ltd. as an administration assistant/secretary from April 1990 to September 1991; and (v) Siu Yin Wai & Associates Limited as a personal secretary from November 1984 to April 1990.

Ms. Wong obtained a certificate for proficiency in Book-keeping from the London Chamber of Commerce and Industry in the United Kingdom in 1986, and obtained a diploma in management studies jointly awarded by The Hong Kong Management Association and The Hong Kong Polytechnic University in September 1996 (through part-time studies).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. CHEUNG Kin Keung Martin (張建強), aged 66, was appointed as a non-executive Director on 20 May 2015. Mr. Cheung has more than 39 years of experience in the construction industry in Hong Kong through his employment in various Government departments. He is currently a director at Mannings (Asia) Consultants Limited which is principally engaged in civil engineering consulting services.

Mr. Cheung has been a fellow of the Hong Kong Institution of Engineers since December 1995. Mr. Cheung obtained a Bachelor of Science in Engineering degree from The University of Hong Kong in November 1974, a Master of Public Administration degree, through part-time studies, from The University of Hong Kong in November 1991, and completed the Senior Executive Fellows programme from the John F. Kennedy School of Government at Harvard University in the United States of America in March 2006.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LAW Yiu Sing (羅耀昇), aged 49, was appointed as an independent non-executive Director on 14 October 2015. Mr. Law has been a Certified Practising Accountant of the CPA Australia since August 2005, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since January 2006, and a Certified Tax Adviser of the Taxation Institute of Hong Kong since January 2013.

Mr. Law obtained a Bachelor of Engineering degree from the Concordia University in Canada in October 1990. He later obtained a Master in Business Administration in The University of Hong Kong in December 1999 and a Master of Practising Accounting degree from the Monash University in Australia in November 2004. Mr. Law also obtained a graduate diploma in English and Hong Kong law (Common Professional Examination) from The Manchester Metropolitan University in the United Kingdom in July 2009. Mr. Law is also a founding member of the Institute of Accountants Exchange.

Mr. Law has over 20 years of experience in the field of financial and business management.

Mr. Law was an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718).

Mr. WONG Kwok Chuen (黃國全), aged 58, was appointed as an independent non-executive Director on 14 October 2015. Mr. Wong is currently registered under the Buildings Ordinance as a registered structural engineer, under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) as a registered professional engineer since October 1994, and under the Buildings Ordinance as a registered inspector since April 2012. He was admitted as a member of The Institution of Structural Engineers in the United Kingdom in December 1988 and as a member of The Hong Kong Institution of Engineers in July 1994.

Mr. Wong graduated from the McGill University in Canada in June 1982 with a Bachelor of Engineering degree in civil engineering. He worked as an assistant structural engineer at Wallace Chiu & Associates from February 1982 to May 1985, as a senior engineer at Ho & Partners Architects Engineers & Development Consultants Limited from December 1985 to December 1990. Mr. Wong then worked as a senior project manager at Martin Construction Company Limited from January 1991 and later went on to be a director of K C Wong & Associates Limited (formerly known as K. C. Wong & Associates). Mr. Wong has been its director since its establishment in 1995 and K C Wong & Associates Limited is principally engaged in architectural and engineering consulting services.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Law Fai (黃羅輝), aged 57, was appointed as an independent non-executive Director on 14 October 2015. Mr. Wong has been a professional associate of The Royal Institution of Chartered Surveyors in the United Kingdom since May 1987, a member of the Chartered Institute of Building in the United Kingdom since February 1987, and a member of The Hong Kong Institute of Engineers since June 1992. He is a registered professional surveyor (quantity surveying) registered under the Surveyors Registration Ordinance (Chapter 417 of the Laws of Hong Kong), a registered professional engineer (building) under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) and a member of The Hong Kong Institute of Surveyors.

Mr. Wong obtained a certificate in accountancy from Hong Kong Polytechnic in November 1981 (by part-time studies), a higher diploma in building technology and management from Hong Kong Polytechnic in November 1981, and an associateship in building technology and management from Hong Kong Polytechnic in November 1982. He also completed a safety management training course for managers organised by the Occupational Safety and Health Management Institute held on 5 June 2004 and 15 January 2005, and a behaviour observation operational safety training organised by the Occupational Safety and Health Management Institute in November 2009.

Mr. Wong has over 20 years of experience in the building construction industry in Hong Kong. He is a director of Wan Chung Construction Company Limited ("**Wan Chung Construction**"), and Wan Chung Engineering Co., Limited, all being subsidiaries of Vision Fame International Holding Limited (stock code: 1315), the issued shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Project Manager

Mr. LEE Ho Cheong (利浩昌), aged 45, is our senior project manager who is responsible for project management and supervision. Mr. Lee joined our Group in July 2000. He has over 22 years of experience in the construction industry in Hong Kong. Prior to joining our Group, he had accumulated experience in the construction industry in Hong Kong through his employment in AECOM Asia Company Limited (formerly known as Maunsell Consultants Asia Limited) from July 1999 to July 2000, Vibro (H.K.) Limited from August 1997 to July 1999, AECOM Consulting Services Limited (formerly known as Scott Wilson (Hong Kong) Limited) from November 1995 to July 1997 and Franki Contractors Limited from November 1992 to October 1995.

Mr Lee completed the Construction Supervisor Trainee programme, the Construction Safety Officer Course, and the Environmental Officer course, all of which were organised by the Construction Industry Training Authority, in August 1992, January 2004, and March 2007 respectively. He also obtained a certificate in Civil Engineering Studies through part-time studies from the Haking Wong Technical Institute (now known as IVE (Haking Wong)) in August 1993 and a higher certificate in Civil Engineering from Hong Kong Technical Colleges in July 1995. Mr. Lee also completed a safety auditor training scheme organised by the Construction Industry Council in September 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HO Chi Ming, Alvin (何志明), aged 44, is our senior project manager who is responsible for project management and supervision. Mr. Ho joined our Group in May 2003. Mr. Ho has been an associate member of The Hong Kong Institution of Engineers since May 2005, a member of the Australian Institute of Building since May 2007, and is currently a member of The Hong Kong Institute of Construction Managers.

Mr. Ho has over 22 years of experience in the construction industry in Hong Kong. Prior to joining us, he had accumulated experience in the industry through his employment in Ka Construction Company Limited from February 2000 to January 2003, PYI Management Limited (formerly known as Paul Y.-ITC Management Limited) from July 1995 to February 2000, AECOM Asia Company Limited (formerly known as Maunsell Consultants Asia Limited) from July 1993 to July 1995, and D.E. Engineering Company from March 1992 to March 1993. Mr Ho obtained a certificate in Civil Engineering from Haking Wong Technical Institute (now known as IVE (Haking Wong)) in September 1995 (by part-time studies), a certificate of Construction Safety Supervisor from the Construction Industry Training Authority in October 1995, a higher certificate in Civil Engineering from Hong Kong Technical Colleges in June 1997 (by part-time studies), and a Bachelor of Applied Science in Construction Management & Economics degree from Curtin University of Technology in Australia in September 2004 (by part-time studies and long distance learning). Mr. Ho also completed a Construction Safety Officer course organised by the Construction Industry Training Authority in August 2000.

COMPANY SECRETARY

Mr. YIU Chun Wing (姚俊榮) (former name: YIU Ka Wai (姚家煒)), aged 35, is our financial controller and company secretary of our Company. He is responsible for our financial reporting, financial planning, treasury, financial control and the overall company secretarial matters of our Group. He joined our Group in April 2015. He has over 10 years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Yiu had accumulated experience in the accounting industry in Hong Kong through his employment in Promise (Hong Kong) Co., Limited from February 2014 to April 2015, Moore Stephens Associates Limited from December 2010 to November 2012, HKCMCPA Company Limited (formerly known as ZYCPA Company Limited) from August 2008 to December 2010, HLB Hodgson Impey Cheng Limited from November 2005 to February 2008, and Prime & Co. from August 2004 to October 2005.

Mr. Yiu obtained a Bachelor of Business Administration degree in Accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2004. Mr. Yiu is a member of the Hong Kong Institute of Certified Public Accountants since May 2010.

During the Reporting Period, Mr. Yiu was the financial controller and company secretary of the Company and has resigned from the said positions on 30 June 2017.

Ms. HUI Wai Man, Shirley (許惠敏), age 50, is the Company Secretary of the Company from 30 June 2017. She is practicing accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. Ms. Hui is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries, the Society of Chinese Accountants and Auditors and a member of the Hong Kong Securities Institute.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 30 April 2017.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders.

CORPORATE GOVERNANCE CODE

During the year ended 30 April 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below.

Since the Company has appointed Mr. Yu Shek Man Ringo as chairman and chief executive officer, the roles of the chairman and chief executive officer are not separated and performed by two different individuals.

Mr. Yu Shek Man Ringo has been managing company’s business and the overall financial and strategic planning since October 1995. The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Yu is beneficial to the business operations and management of Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors the (“**Code of Conduct**”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 30 April 2017.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report. Pursuant to the terms of reference, the duties performed by the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees;
5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company; and
6. to conform to any requirement, direction, and regulation that may from time to time be contained in the constitution of the Company or imposed by the GEM Listing Rules or applicable laws.

Composition of the Board

Up to the date of this annual report, the Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors ("**INED**"). In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. Yu Shek Man Ringo (*Chairman and Chief Executive Officer*)
Ms. Wong So Wah

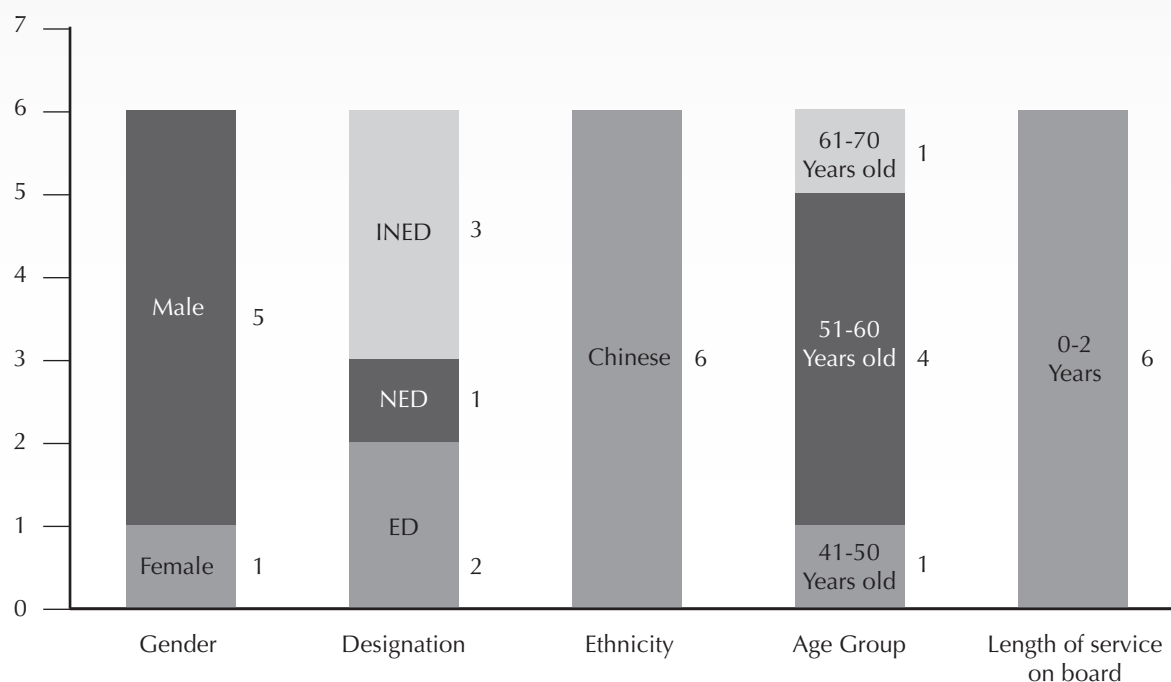
Non-executive Director

Mr. Cheung Kin Keung Martin

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Wong Kwok Chuen
Mr. Wong Law Fai

CORPORATE GOVERNANCE REPORT



In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the Reporting Period. During the Reporting Period and as of the date of this report, the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

The Company has entered into a service agreement with each of the INEDs and non-executive director. The commencement date of each of the service agreement from the annual general meeting of the Company had been held in 2016 and up to annual general meeting of the Company to be held in 2017, which may be terminated earlier by no less than one month written notice served by either party on the other.

Pursuant to Article 108 of the articles of association of the Company (the “**Articles**”), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received positive confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all INEDs to be independent under the GEM Listing Rules.

Saved as disclosed in the section “Biographical Details of Directors and Senior Management” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

CORPORATE GOVERNANCE REPORT

Board and General Meetings

During the Year, four board meetings were held. The first annual general meeting of the Company was held on 23 August 2016 (the “2016 AGM”).

The attendance of the respective Directors at the Board meetings and the 2016 AGM are set out in the table below:

| | Number of Attendance/ number of Board meetings |
|--|---|
| Executive Directors | |
| Mr. Yu Shek Man Ringo (<i>Chairman</i>) | 4/4 |
| Ms. Wong So Wah | 4/4 |
| Non-executive Director | |
| Mr. Cheung Kin Keung Martin | 4/4 |
| Independent Non-executive Directors | |
| Mr. Law Yiu Sing | 4/4 |
| Mr. Wong Kwok Chuen | 4/4 |
| Mr. Wong Law Fai | 4/4 |

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

Pursuant to code provision A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Since the Company has appointed Mr. Yu Shek Man Ringo as chairman and chief executive officer, the roles of the chairman and chief executive officer are not separated and performed by two different individuals.

Mr. Yu Shek Man Ringo has been managing company’s business and the overall financial and strategic planning since October 1995. The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Yu is beneficial to the business operations and management of Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non- executive Directors which represent half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the “**Board Diversity Policy**”) from the date of Listing 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.

The Company recognised the benefits of having a diverse Board to enhance 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 but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. 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.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy from the year ended 30 April 2017.

RELATIONSHIPS BETWEEN THE BOARD

Mr. Yu Shek Man, Ringo and Ms. Wong So Wah are spouse. They are the executive Directors and controlling shareholders with the meaning ascribed there to under the GEM Listing Rules. The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

DIRECTORS’ CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Year, the Group has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. In addition, the executive Directors have attended 20 hours of external training regarding compliance matters under various laws and regulations relevant to the Group’s operations. The Group will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established. An audit committee (“**Audit Committee**”) has been established on 14 October 2015 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C3.3 and C3.7 of the Code; a remuneration committee (“**Remuneration Committee**”) has been established on 14 October 2015 with its terms of reference in compliance with paragraph B1.2 of the Code; and a nomination committee (“**Nomination Committee**”) has been established on 14 October 2015 with terms of reference a compliance with paragraph A5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committee can be found on the Group’s website (www.fraserholdings.com) and the website of the Stock Exchange. In addition to the abovementioned committees, a legal compliance committee (“**Legal Compliance Committee**”) has been established on 14 October 2015. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Law Yiu Sing (Chairman), Mr. Wong Kwok Chuen and Mr. Wong Law Fai, all of whom are INEDs. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group’s website www.fraserholdings.com or the website of the Stock Exchange):

1. to be responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Company’s external auditor, and approve the remuneration and terms of engagement of the Company’s external auditor, and any question of its resignation or dismissal;
2. to review and monitor the Company’s external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. to develop and implement policy on engaging the Company’s external auditor to supply non-audit services, if any;
4. to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgments contained in them;

CORPORATE GOVERNANCE REPORT

5. to discuss with the Company's external auditor questions and doubts arising in audit of quarterly (if any), interim (if any) and annual accounts;
6. to review the letter of the Company's management from the Company's external auditor and the management's response;
7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;
8. to review the Company's financial reporting, financial controls, risk management and internal control systems;
9. to discuss the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective system;
10. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
11. to review the financial and accounting policies and practices of the Group;
12. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;
13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
14. to ensure compliance with the laws and regulations relevant to the Group;
15. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board;
16. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
17. to act as the key representative body for overseeing the Company's relations with the Company's external auditor; and
18. to review treasury risk compliance record on a quarterly basis.

CORPORATE GOVERNANCE REPORT

During the Year, the Audit Committee had reviewed the Group's consolidated financial results for the year ended 30 April 2016, unaudited quarterly results for the three months ended 31 July 2016, interim results for the six months ended 31 October 2016, quarterly results for the nine months ended 31 January 2017 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the financial year ended 30 April 2017, this annual report, and confirmed that this annual report complies with the applicable standards, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor. In addition, the Audit Committee has reviewed the Group's compliance with the Mandatory Provident Funds laws and regulations and confirmed that there had been no non-compliance thereof during the Year.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Year and up to the date of this report.

During the Year, the Audit Committee had held four meetings.

The attendance records of the members of the Audit Committee are summarised below:

| | Number of attendance/ number of meetings |
|--------------------------------------|---|
| Mr. Law Yiu Sing (<i>Chairman</i>) | 4/4 |
| Mr. Wong Kwok Chuen | 4/4 |
| Mr. Wong Law Fai | 4/4 |

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Wong Law Fai (Chairman), Mr. Yu Shek Man Ringo, and Mr. Wong Kwok Chuen. Mr. Wong Law Fai and Mr. Wong Kwok Chuen are INEDs of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include the followings (for the complete terms of reference please refer to the Group's website [www. fraserholdings.com](http://www.fraserholdings.com) or the website of the Stock Exchange):

1. to consult the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board on the Company's policy and structure for remuneration of Directors' and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

CORPORATE GOVERNANCE REPORT

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
9. to ensure that no Directors or any of his/her associates is involved in deciding his/her own remuneration.

The members of the Remuneration Committee should meet at least once a year. During the Year, a meeting of the Remuneration Committee was held and has, inter alia, reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

The attendance records of the members of the Remuneration Committee are summarised below:

| | Number of attendance/ number of meetings |
|--------------------------------------|---|
| Mr. Wong Law Fai (<i>Chairman</i>) | 1/1 |
| Mr. Yu Shek Man Ringo | 1/1 |
| Mr. Wong Kwok Chuen | 1/1 |

The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the Year and up to date of this report.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Wong Kwok Chuen (Chairman), Mr. Wong Law Fai and Mr. Law Yiu Sing. All of them are INEDs of the Company.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include the followings (for the complete terms of reference please refer to the Group's website www.fraserholdings.com or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
4. to assess the independence of INEDs; and
5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The members of the Nomination Committee should meet at least once a year. During the Year, a meeting of the Nomination Meeting was held and has, inter alia, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and considered the Directors to retire and stand for re-election at the 2016 AGM. The Nomination Committee has also reviewed the board diversity policy as set out in the paragraph headed "Board Diversity Policy" above.

The attendance records of the members of the Nomination Committee are summarised below:

| | Number of attendance/ number of meetings |
|---|---|
| Mr. Wong Kwok Chuen (<i>Chairman</i>) | 1/1 |
| Mr. Law Yiu Sing | 1/1 |
| Mr. Wong Law Fai | 1/1 |

CORPORATE GOVERNANCE REPORT

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises four members, namely Mr. Law Yiu Sing (Chairman), Ms. Wong So Wah, the compliance officer of our Company and an executive Director as well as the two INED, namely Mr. Wong Kwok Chuen and Mr. Wong Law Fai.

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing our compliance with laws and regulations relevant to our business operations and to review the effectiveness of our regulatory compliance procedures and system.

The members of the Legal Compliance Committee should meet at least once a year. During the Year, a meeting of the Legal Compliance Committee was held and has, inter alia, reviewed the Company's regulatory compliance procedures and systems and compliance with the code and the other legal and regulatory requirements.

The attendance records of the members of the Legal Compliance Committee are summarised below:

| | Number of attendance/ number of meetings |
|--|---|
| Mr. Law Yiu Sing (<i>Chairman</i>) | 1/1 |
| Ms. Wong So Wah | 1/1 |
| Mr. Wong Kwok Chuen | 1/1 |
| Mr. Wong Law Fai | 1/1 |
| Mr. Yiu Chun Wing (resigned on 30 June 2017) | 1/1 |

AUDITOR'S REMUNERATION

During the Year, the Group engaged Grant Thornton Hong Kong Limited ("**GT**") as the Group's external auditor. The remuneration paid and payable to GT is set out as follows:

| | Fees paid/payable for the services rendered | |
|--|--|--------------------|
| | 2017 (HK\$'000) | 2016 (HK\$'000) |
| Statutory audit services | 600 | 600 |
| Non-statutory audit services | | |
| — as reporting accountant for listing of the shares of the Company on the GEM of the Stock Exchange | — | 1,800 |

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

During the Reporting Period, Mr. Yiu Chun Wing (“**Mr. Yiu**”) was the company secretary of our Company. Please refer to the section “Biographical details of Directors and Senior Management” for his biographical information.

During the Reporting Period, Mr. Yiu has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Ms. Wong So Wah, an executive Director, is the compliance officer of the Group. Please refer to the section “Biographical details of Directors and Senior Management” for her biographical information.

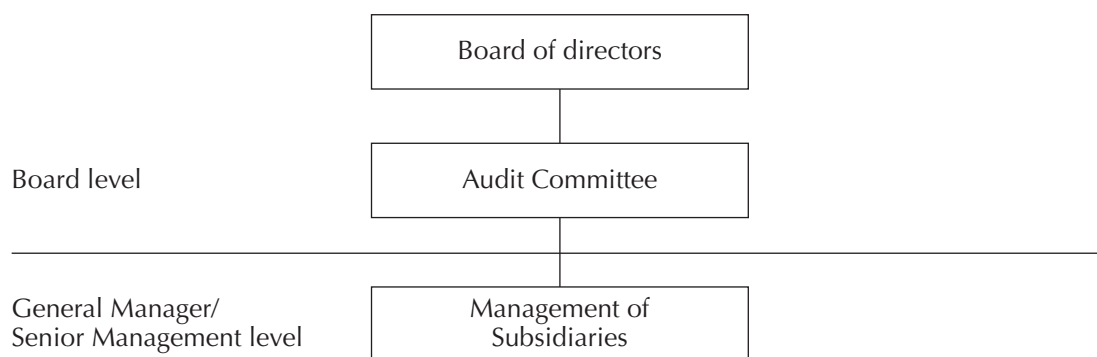
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Main features of the risk management and internal control systems

The risk management framework of the Group and main responsibilities of the members in the framework are described as follows:



CORPORATE GOVERNANCE REPORT

| Member | Main Responsibilities |
|-----------------|--|
| The Board | <ul style="list-style-type: none">• Set up goals for risk management strategy, assess and determine the nature and extent of risk acceptable to achieve the strategy goals;• Establish and maintain a proper and effective risk management and internal control systems;• Review the effectiveness of the risk management and internal control systems annually. |
| Audit Committee | <ul style="list-style-type: none">• Assist the Board in overseeing the risk level and the design and performance of the risk management and internal control systems;• Discuss the risk management and internal control systems with the management, ensure the management has fulfilled its responsibility of establishing effective systems;• Ensure that the internal audit function has sufficient resources for operation and has a proper position, review and supervise its performance;• Keep updated of various major risks confronted by the Group and the risk management status, make decisions for effective risk control;• Report the risk status of the Group and issues to be concerned or improved to the Board on a regular basis;• Facilitate risk management and assessment, regularly appoint relevant accountable persons to implement risk assessment;• Organise and promote the establishment of the risk management system at the group level;• Review material risk assessment report and various risk management reports;• Review major risk management measures, rectify and deal with the decisions made or actions adopted by relevant organizations or individuals beyond the risk management system;• Engage relevant persons to organise and coordinate various departments and projects to carry out identification and assessment of significant risks at the group level, summarise and analyse such information, submit risk assessment and various risk management reports; and• Carry out risk management for other major issues. |

CORPORATE GOVERNANCE REPORT

| Member | Main Responsibilities |
|----------------------------|--|
| Management of subsidiaries | <ul style="list-style-type: none">• Ensure that the subsidiaries carry out the risk assessment in compliance with the risk assessment manual formulated by the Group;• Review and approve the risk assessment results of the subsidiaries in respect of the business;• Ensure that the subsidiaries implement effective risk management;• Monitor the principal business risks confronted by the subsidiaries and the effectiveness of relevant risk management measures;• Allocate resources such as fund and workforce to the subsidiaries for implementation of the risk assessment projects. |

The process used to identify, assess and management of principal risks

The risk management process of the Group is described as follows:

| | |
|------------------------|---|
| Risk identification | — identify the current risks confronted. |
| Risk analysis | — conduct analysis on the risk including the impact extent and possibility of occurrence. |
| Risk response | — choose a proper risk response method and develop a risk mitigation strategy. |
| Control measures | — propose up-to-date internal control measures and policy and process. |
| Risk control | — continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy. |
| Risk management report | — summarise results of risk assessment and analysis and internal audit, formulate and report an action plan. |

The process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects:

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's risk management department in time.

CORPORATE GOVERNANCE REPORT

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 30 April 2017.

In addition, the Group has engaged a professional advisory firm of internal control to perform regular review of the internal control system of the Group for the Reporting Period and the results were summarized and reported to the Audit Committee and the Board. The Board will continue to strive for a better control by way of consulting with the professional adviser and adopting the recommendations made by the firm.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 30 April 2017, the remuneration of the senior management is listed below by band:

| | Number of individuals |
|------------------------------|------------------------------|
| HK\$500,001 to HK\$1,000,000 | 3 |

Details of the directors' remuneration and five highest paid individuals for the Relevant Period as regarded to be disclosed pursuant to the Code are provided in note 12 to the Consolidated Financial Statements in this report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibility in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this report.

CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting (“AGM”) is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditor of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditor’s report.

The notice of AGM which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS’ RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting (“EGM”). EGMs shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders’ Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing shareholders’ enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company’s share registrars. Shareholders may also make a request for the Company’s information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company’s head office or by fax to (852) 2580 0470, or by email to info@fraserholdings.com.

The addresses of the Company’s head office and the Company’s share registrars can be found in the section “Corporate Information” of this annual report.

CORPORATE GOVERNANCE REPORT

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.fraserholdings.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Room 1122, 11/F
Pacific Link Tower, South Mark,
11 Yip Hing Street,
Wong Chuk Hang, Hong Kong

Email: info@fraserholdings.com

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated memorandum and articles of association for the purpose of the listing of the shares of the Company on the Stock Exchange, during the year ended 30 April 2017, there had been no significant changes in the constitutional documents of the Company.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 30 April 2017.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 May 2015. Its registered office and principal place of business are at Clifton House, 75 Fort Street, PO Box 1350 Grand Cayman KY1-1108, Cayman Islands and Room 1122, 11/F, Pacific Link Tower, South Mark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, respectively.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”), including a discussion of the principal risks and uncertainties facing the Group, environmental policies of the Group, compliance with laws and regulations by the Group, its relationship with customers, suppliers, subcontractors and employees and an indication of likely future developments in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 5 to 13 of this annual report. This discussion forms part of this directors’ report.

SEGMENT INFORMATION

An analysis of the Group’s performance for the Year by operating segment is set out in note 5 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 100 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56.

The Board did not recommend payment of final dividend to shareholders of the Company for the Year.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2017 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 30 April 2017 was 1,440,000,000 ordinary shares of HK\$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Year are set out in note 20 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

CHARITABLE DONATIONS

Charitable and other donation made by the Group during the year amounted to HK\$150,800 (2016: HK\$10,500).

RESERVES

As of 30 April 2017, the reserves of the Company available for distribution, as calculated in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately HK\$51.3 million (2016: HK\$46.7 million) inclusive of share premium and retained earnings.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Yu Shek Man Ringo (*Chairman and Chief Executive Officer*)
Ms. Wong So Wah

Non-Executive Director

Mr. Cheung Kin Keung Martin

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Wong Kwok Chuen
Mr. Wong Law Fai

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in note 12 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' SERVICE CONTRACT

All executive Directors have entered into service agreements with the Company for a term commencing from 2 November 2015 (the date of Listing) and up to the annual general meeting of the Company to be held in 2017. All of these service agreements may be terminated earlier by no less than three months written notice served by either party on the other.

Each of the non-executive Director and the INEDs has entered into a service agreement with the Company for a term commencing from the annual general meeting of the Company had been held in 2016 and up to the annual general meeting of the Company to be held in 2017 which may be terminated earlier by no less than one month written notice served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

Pursuant to Article 108 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 shall be subject to retirement at an annual general meeting at least once every three years. Mr. Yu Shek Man Ringo and Ms. Wong So Wah will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

DISCLOSURE OF INTERESTS

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

As at 30 April 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Company's Shares

| Name of Director | Capacity/Nature | Number of Shares held/ interested in | Approximate percentage of shareholding |
|-----------------------|--------------------------------------|--------------------------------------|--|
| Mr. Yu Shek Man Ringo | Interest of a controlled corporation | 1,080,000,000 | 75% |
| Ms. Wong So Wah | Interest of spouse | 1,080,000,000 | 75% |

Notes:

- The issued share capital of National Honour is owned as to 90% by Mr. Yu Shek Man Ringo and 10% by Ms. Wong So Wah, the spouse of Mr. Yu Shek Man Ringo. Therefore, Mr. Yu Shek Man Ringo is deemed or taken to be interested in all the shares of the Company held by National Honour for the purpose of SFO.
- Ms. Wong So Wah is the spouse of Mr. Yu Shek Man Ringo. Accordingly, Ms. Wong So Wah is deemed or taken to be interested in all the shares of the Company which Mr. Yu Shek Man Ringo is interested for the purpose of the SFO.

(ii) Long position in the shares of associated corporations

| Name of Director | Name of associated Corporation | Capacity/Nature | Number of shares Held/ Interested | Percentage of Shareholding |
|-----------------------|--------------------------------|-----------------------------|-----------------------------------|----------------------------|
| Mr. Yu Shek Man Ringo | National Honour | Beneficial owner | 9 | 90% |
| | | Interest of spouse (Note 1) | 1 | 10% |
| Ms. Wong So Wah | National Honour | Beneficial owner | 1 | 10% |
| | | Interest of spouse (Note 2) | 9 | 90% |

DIRECTORS' REPORT

Notes:

1. Mr. Yu Shek Man Ringo is the spouse of Ms. Wong So Wah. Therefore, Mr. Yu Shek Man Ringo is deemed or taken to be interested in all the shares of the Company which Ms. Wong So Wah is interested for the purpose of the SFO
2. Ms. Wong So Wah is the spouse of Mr. Yu Shek Man Ringo. Accordingly, Ms. Wong So Wah is deemed or taken to be interested in all the shares of the Company which Mr. Yu Shek Man Ringo is interested for the purpose of the SFO.

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

As at 30 April 2017, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name | Capacity/Nature | Number of Shares held/ interested | Percentage of Shareholding |
|-----------------|------------------|-----------------------------------|----------------------------|
| National Honour | Beneficial owner | 1,080,000,000 | 75% |

Save as disclosed above, as at 30 April 2017, 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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's revenue and purchases attributable to major customers and suppliers are as follows:

| | 2017 % | 2016 % |
|---|-----------|-----------|
| Percentage of revenue: | | |
| From the five largest customers | 92.87 | 94.40 |
| From the largest customer | 53.06 | 64.49 |
| Percentage of construction material purchases and construction subcontracted: | | |
| From the five largest suppliers | 85.61 | 88.88 |
| From the largest supplier | 38.36 | 40.26 |

DIRECTORS' REPORT

To the best of the Directors' knowledge, none of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the issued shares of the Company) has an interest in the Group's five largest customers and suppliers.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 23 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interests directly or indirectly subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those disclosed under the paragraph headed "Share Option Scheme" and "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year ended 30 April 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective close associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the Year which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the Year, which constitute fully exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in note 23 to the consolidated financial statements.

INTERESTS IN COMPETING BUSINESS

Save for Mr. Wong Law Fai's interest in Wan Chung Construction Company Limited details of which were set out in the section headed "Relationships with Controlling Shareholders" of the Prospectus, none of the Directors, controlling shareholders nor substantial shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 30 April 2017.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "**Non-competition Undertakings**") dated 15 October 2015 given by Mr. Yu Shek Man Ringo, Ms. Wong So Wah and National Honour. The independent non-executive Directors were not aware of any non-compliance with the Non-competition Undertakings given by Mr. Yu Shek Man Ringo, Ms. Wong So Wah and National Honour from the date of the Non-competition Undertakings and up to the date of this annual report.

DIRECTORS' REPORT

Each of Mr. Yu Shek Man Ringo, Ms. Wong So Wah and National Honour has confirmed that he/she/it had complied with the Non-competition Undertakings given by them from the date of the Non-competition Undertakings and up to the date of this annual report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 April 2017.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 15 October 2015 (the "**Scheme**"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No share options has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 April 2017.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to eligible participants and to promote the success of the business of the Group. Eligible participants of the share option scheme include employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

The Company may grant options in respect of up to 144,000,000 Shares, representing 10% of the total issued shares of the Company as at the date of this report. The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of an offer for the grant of option(s) is HK\$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

DIRECTORS' REPORT

The Scheme will remain in force for a period of ten years commencing on the date of adoption, being 15 October 2015, and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

COMPLIANCE ADVISER'S INTEREST

As at 30 April 2017, as notified by the Company's compliance adviser, Dakin Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 February 2016, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PERMITTED INDEMNITY

During the Year, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

PRE-EMPTIVE RIGHTS

There is 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 REPORTING PERIOD

The Company has undergone a change in controlling shareholder on 5 May 2017 (after trading hours) after United Financial Holdings Group Limited executed the sale and purchase agreement acquiring 1,080,000,000 ordinary shares of the Company (the "**Shares**"). Upon the close of the unconditional mandatory general offer on 22 June 2017, United Financial Holdings Group Limited held 1,081,010,000 Shares, constituting an aggregate of approximately 75.07% of the Company's total issued capital. On 17 July 2017, United Financial Holdings Group Limited has disposed of an aggregate of 1,010,000 Shares on the open market for the purpose of restoring the public float of the Company in compliance with Rule 11.23(7) of the GEM Listing Rules. For further details, please refer to the announcements of the Company dated 17 July 2017 and 22 June 2017 respectively, and the composite document of the Company dated 1 June 2017. Save as disclosed above, there was no material subsequent event during the period from 1 May 2017 to the date of this annual report.

PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, the Company has maintained sufficient public float as of the date of this annual report as required under the GEM Listing Rules.

DIRECTORS' REPORT

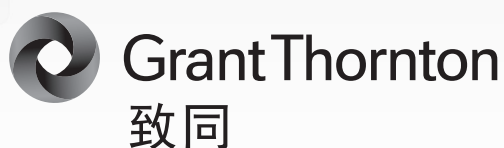
AUDITOR

Grant Thornton Hong Kong Limited (“GT”) shall retire in the forthcoming AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of GT as auditors of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditors during the year ended 30 April 2017 and up to the date of this annual report.

On behalf of the Board
Fraser Holdings Limited
Yu Shek Man, Ringo
Chairman and Executive Director

Hong Kong, 25 July 2017

INDEPENDENT AUDITOR'S REPORT



To the members of Fraser Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fraser Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 56 to 99, which comprise the consolidated statement of financial position as at 30 April 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 30 April 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How the matter was addressed in our audit

Accounting for construction contracts

Refer to notes 2.7, 2.13, 4(a), 5 and 16 to the consolidated financial statements.

The Group recognised contract revenue and direct costs of HK\$148,271,000 and HK\$139,278,000 respectively from construction contracts for the year ended 30 April 2017, and recorded the amounts due from customers on construction contracts and the amounts due to customers on construction contracts of HK\$7,979,000 and HK\$7,291,000 respectively as at 30 April 2017.

The Group's revenue and direct costs of construction contracts are recognised by reference to the stage of completion of the construction contract at the end of the reporting period with reference to the progress certificates issued by the customers and their agents. They are significant to the consolidated financial statements as a whole and significant management's estimations and judgments required in estimating the contract revenue, contract costs and variation works which may have an impact on the stage of completion of the construction contracts and the corresponding profit taken.

Our audit procedures in relation to the construction contracts included:

- understood the basis of estimation of the budgets through discussion with the management who are responsible for reviewing budgeted costs and budgeted revenue of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects;
- inspected the terms and conditions of construction contracts such as contract sum, construction period, performance obligations, payment schedule, retention and warranty clauses, etc.;
- assessed and checked the accuracy of the budgeted construction revenue by agreeing to contracts sum or variation orders as set out in the construction contracts, the agreements entered with customers;
- validated the percentage of completion adopted by the management to the position set out in the progress certificates issued by the customers or their agents, including the certified contract work and variation orders, if any, and examined, on a sample basis, the progress certificates issued by the customers or their agents and the actual costs incurred on construction works during the reporting period;
- tested, on a sample basis, the contract costs incurred to date to supporting documents including the subcontractor payment certificates and suppliers' invoices, etc; and
- assessed the appropriateness of the amounts due from/(to) customers for contract work and performed recalculation on percentage of completion, budgeted costs and gross profit.

We found management's judgements and estimates used in accounting for construction contracts were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How the matter was addressed in our audit

Impairment of trade and retention receivables

Refer to notes 2.5, 4(b) and 15 to the consolidated financial statements.

As at 30 April 2017, the carrying amounts of the Group's trade receivables and retention receivables amounted to HK\$20,373,000 and HK\$9,304,000.

The determination as to whether the receivables are collectable requires a high level of management judgment and estimates, whereby the management considers specific factors including the age of the balances, historical payment patterns and any other relevant information concerning the creditworthiness of the counterparties. Given the significant judgment and estimates used in assessing the provision for impairment of the receivables, the assessment of the recoverability of receivables is considered significant to our audit. Management concluded no provision for impairment of trade and retention receivables is recognised for the year ended 30 April 2017.

Our audit procedures in relation to trade and retention receivables included:

- review, among others, the assessment of the Group's controls over the receivables collection process and assessment of provision for impairment at end of each reporting period. On a sample basis, we confirmed the receivable balances with the related counterparties directly in writing;
- assessed the aging of selected receivables by checking to the related supporting documentations;
- evaluated management's judgment and estimates in assessing the recoverability of the receivables, taking into account the historical cash collection patterns, our knowledge of the business environment and industry benchmarks, especially for those aged and overdue receivables;
- checked the post year-end settlement up to the date of completing our audit.

We found the management's assessment of impairment of trade and retention receivables is supported by the evidences.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

The directors are assisted by the Audit Committee in discharging their 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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements 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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAAs, 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 the Audit Committee 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 the Audit Committee 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

25 July 2017

Chan Tze Kit

Practising Certificate No.: P05707

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2017

| | Notes | 2017 HK\$'000 | 2016 HK\$'000 |
|---|-------|--------------------|------------------|
| Revenue | 5 | 148,571 | 180,602 |
| Direct costs | | (139,278) | (162,549) |
| Gross profit | | 9,293 | 18,053 |
| Other income | 6 | 3,074 | 331 |
| Administrative expenses | | (6,538) | (8,824) |
| Finance costs | 7 | (12) | (87) |
| Profit before income tax | 8 | 5,817 | 9,473 |
| Income tax expense | 9 | (1,250) | (2,283) |
| Profit and total comprehensive income for the year | | 4,567 | 7,190 |
| Earnings per share (HK cents) | | | |
| — Basic and diluted | 11 | HK0.32 cent | HK0.54 cent |

The notes on pages 61 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

| | Notes | 2017 HK\$'000 | 2016 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 362 | 417 |
| Current assets | | | |
| Trade and other receivables | 15 | 31,037 | 31,392 |
| Amounts due from customers on construction contracts | 16 | 7,979 | 7,747 |
| Tax recoverable | | 2,313 | – |
| Pledged time deposits | 17 | – | 25,038 |
| Cash and bank balances | 17 | 67,025 | 49,838 |
| | | 108,354 | 114,015 |
| Current liabilities | | | |
| Trade and other payables | 18 | 17,021 | 25,946 |
| Amounts due to customers on construction contracts | 16 | 7,291 | 3,022 |
| Obligation under finance lease | 19 | 23 | 23 |
| Tax payable | | 635 | 6,239 |
| | | 24,970 | 35,230 |
| Net current assets | | 83,384 | 78,785 |
| Total assets less current liabilities | | 83,746 | 79,202 |
| Non-current liabilities | | | |
| Obligation under finance lease | 19 | 50 | 73 |
| Net assets | | 83,696 | 79,129 |
| Equity | | | |
| Share capital | 20 | 14,400 | 14,400 |
| Reserves | | 69,296 | 64,729 |
| Total equity | | 83,696 | 79,129 |

Mr. Yu Shek Man, Ringo
Director

Ms. Wong So Wah
Director

The notes on pages 61 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

| | Share capital HK\$'000 | Share Premium* HK\$'000 | Merger Reserve* HK\$'000 (note) | Retained Earnings* HK\$'000 | Total HK\$'000 |
|---|------------------------------|-------------------------------|--|-----------------------------------|-------------------|
| Balance at 1 May 2015 | 18,001 | – | – | 25,081 | 43,082 |
| Profit and total comprehensive income for the year | – | – | – | 7,190 | 7,190 |
| Transaction with owners: | | | | | |
| Arising from group reorganisation | (18,001) | – | 18,001 | – | – |
| Issue of shares by the Company pursuant to the reorganisation | 1 | – | – | – | 1 |
| Issue of shares pursuant to capitalisation issue | 12,349 | (12,349) | – | – | – |
| Issue of shares upon placing of the Company's share | 2,050 | 38,950 | – | – | 41,000 |
| Expenses incurred in connection with the issue of shares during the year | – | (2,144) | – | – | (2,144) |
| Dividend declared and paid (note 10) | – | – | – | (10,000) | (10,000) |
| Total transaction with owners | (3,601) | 24,457 | 18,001 | (10,000) | 28,857 |
| Balance at 30 April 2016 and 1 May 2016 | 14,400 | 24,457 | 18,001 | 22,271 | 79,129 |
| Profit and total comprehensive income for the year | – | – | – | 4,567 | 4,567 |
| Balance at 30 April 2017 | 14,400 | 24,457 | 18,001 | 26,838 | 83,696 |

* The total amounts of these balances represent "Reserves" in the consolidated statement of financial position.

Note: Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

The notes on pages 61 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2017

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Operating activities | | |
| Profit before income tax | 5,817 | 9,473 |
| Adjustments for: | | |
| Interest income | (1,195) | (101) |
| Depreciation | 171 | 392 |
| Finance costs | 12 | 87 |
| Loss on disposal of available for sale financial assets | 231 | – |
| Gain on disposal of property, plant and equipment | (1,734) | – |
| Provision for annual leave | 70 | – |
| Operating profit before working capital changes | 3,372 | 9,851 |
| Decrease in trade and other receivables | 355 | 6,238 |
| Increase in amounts due from customers on construction contracts | (232) | (186) |
| (Decrease)/increase in trade and other payables | (8,995) | 6,228 |
| Increase in amounts due to customers on construction contracts | 4,269 | 2,396 |
| Cash (used in)/generated from operations | (1,231) | 24,527 |
| Interest paid | – | (77) |
| Income tax paid | (9,167) | (940) |
| <i>Net cash (used in)/generated from operating activities</i> | (10,398) | 23,510 |
| Investing activities | | |
| Interest income | 1,195 | 101 |
| Purchase of available for sale financial assets | (33,530) | – |
| Purchase of property, plant and equipment | (116) | (11) |
| Proceeds from disposal of property, plant and equipment | 1,734 | – |
| Proceeds from disposal of available for sale financial assets | 33,299 | – |
| Decrease/(increase) in pledged time deposits | 25,038 | (25,038) |
| Decrease in amount due from a related company | – | 6,296 |
| <i>Net cash generated from/(used in) investment activities</i> | 27,620 | (18,652) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 April 2017

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Financing activities | | |
| Proceeds from issuance of share capital | – | 41,001 |
| Payment of share issuance expenses | – | (2,144) |
| Dividend paid | – | (10,000) |
| Repayment of capital element of finance lease | (23) | (19) |
| Interest element of finance lease | (12) | (10) |
| Repayment of borrowings | – | (5,000) |
| Decrease in amount due to a director | – | (1,602) |
| <i>Net cash (used in)/generated from financing activities</i> | (35) | 22,226 |
| Net increase in cash and cash equivalents | 17,187 | 27,084 |
| Cash and cash equivalents at beginning of year | 49,838 | 22,754 |
| Cash and cash equivalents at end of year represented by cash and bank balances | 67,025 | 49,838 |

The notes on pages 61 to 99 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Fraser Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 20 May 2015 as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market of the Stock Exchange on 2 November 2015 (the “Listing”). Its parent and ultimate holding company was National Honour Investments Limited (“National Honour”), a company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Yu Shek Man, Ringo (“Mr. Yu”) and Ms. Wong So Wah (“Ms. Wong”) (hereinafter collectively referred to as the “Controlling Shareholders”).

On 5 May 2017, National Honour entered into a sale and purchase agreement, and National Honour is no longer the parent and ultimate holding company. Details of the change is disclosed in note 26.

The addresses of the registered office and the principal place of business of the Company are Room 1122, Pacific Link Tower, South Mark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

The consolidated financial statements for the year ended 30 April 2017 was approved for issue by the board of directors on 25 July 2017.

1.2 Reorganisation and basis of presentation

Pursuant to the Group reorganisation (the “Reorganisation”) in connection with the Listing, the Company became the holding company of the companies now comprising the Group on 17 June 2015.

Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Company’s prospectus (the “Prospectus”) dated 23 October 2015. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 30 April 2016, or since their respective dates of incorporation/establishment, where it is a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 56 to 99 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market The Stock Exchange (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

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

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“HK\$’000”), except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 to the consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

The Group includes the income and expenses of a subsidiary in the consolidated financial information from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Merger accounting for common control combinations

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiary is carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Merger accounting for common control combinations (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or business first came under common control at a later date.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|------------------------|-----|
| Plant and machinery | 30% |
| Motor vehicles | 30% |
| Furniture and fixtures | 20% |

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into available-for-sales financial assets and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets (Continued)

(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. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) *Available-for-sales financial assets*

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets (Continued)

Impairment of financial assets (Continued)

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.6 Impairment of non-financial assets

Property, plant and equipment and the Company's investment in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest Group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets where the customer is able to specify the major structural elements of the design.

The Group's construction contracts are at fixed prices. The accounting policy for contract revenue is set out in note 2.13.

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the reporting date are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "Amounts due from customers on construction contracts" (an asset) or "Amounts due to customers on construction contracts" (a liability). Progress billings not yet paid by customers are included in the consolidated statement of financial position under "Trade and other receivables".

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include trade and other payables and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial liabilities (Continued)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.10).

2.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets acquired under finance leases

Where the Company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases (Continued)

Assets acquired under finance leases (Continued)

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Provisions, contingent liabilities and contingent assets (Continued)

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(i) Contracting revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is generally established according to the progress certificate (by reference to amount of completed works confirmed by customer or its agent) issued by the customer or its agent.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition (Continued)

(i) *Contracting revenue (Continued)*

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

(ii) *Consultancy income*

Revenue from provision of consultancy services are recognised when the related services rendered to the customer.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components for their review of the performance of those components.

2.17 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning or after 1 May 2016

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 May 2016:

| | |
|--|--|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |

The application of the amendments to HKFRSs in the current year has no materials 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.

Issued but not yet effective HKFRSs

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

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| HKFRS 16 | Leases ³ |
| Amendments to HKAS 7 | Disclosure Initiative ¹ |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses ¹ |
| Amendments to HKAS 40 | Transfer of Investment Properties ² |

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 Financial Instruments

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

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at 30 April 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company perform a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The Group has not yet applied the new and amended HKFRSs that have been issued but are not yet effective. Other than the above, the directors of the Group anticipate that the application of new and amended HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Construction contracts

As explained in notes 2.7 and 2.13, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agent. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

The carrying amount of the amount due from/(to) customers on construction contracts as at 30 April 2017 is HK\$7,979,000 (2016: HK\$7,747,000) and HK\$7,291,000 (2016: HK\$3,022,000), as set out in note 16.

(b) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

No provision of impairment of trade receivables during the year ended 30 April 2017 (2016: nil). Details of the trade receivables are disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

5. REVENUE

The Group's principal activities are disclosed in note 1.1 of the consolidated financial statements.

The Group is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

Revenue recognised for the year ended 30 April 2016 and 2017 are as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---------------------|------------------|------------------|
| Contracting revenue | 148,271 | 180,458 |
| Consultancy fee | 300 | 144 |
| | 148,571 | 180,602 |

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors of the Company regards the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

An analysis of the Group's revenue and contribution to profit from operating activities from undertaking slope works, foundation works and other general building works in Hong Kong in the ordinary course of business for the year ended 30 April 2017 and 2016 are as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|------------------------|------------------|------------------|
| Slope works | 125,060 | 155,102 |
| Foundation works | 20,986 | 20,109 |
| General building works | 2,225 | 5,247 |
| Others (note) | 300 | 144 |
| | 148,571 | 180,602 |

Note: Others represent consultancy fee income derived from the provision of consultancy services in relation to the management of projects involving slope works and/or other general building works.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|------------|------------------|------------------|
| Customer A | 78,827 | 116,465 |
| Customer B | 27,746 | 22,212 |
| Customer C | 15,268 | N/A |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

6. OTHER INCOME

An analysis of other income is as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Gain on disposal of property, plant and equipment | 1,734 | – |
| Insurance claim | – | 1 |
| Interest income from available for sale financial assets | 1,085 | – |
| Interest income | 110 | 101 |
| Rental income from lease of machinery | 11 | 164 |
| Sundry income | 134 | 65 |
| | 3,074 | 331 |

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Interest on: | | |
| — Bank loans and overdrafts wholly repayable within 5 years | – | 77 |
| — Finance leases | 12 | 10 |
| | 12 | 87 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Profit before tax is stated after charging/(crediting): | | |
| (a) Staff costs (including directors' emoluments) (note 12(a)) | | |
| Salaries, wages and other benefits | 4,568 | 8,334 |
| Contributions to defined contribution retirement plans | 143 | 337 |
| Staff costs (including directors' emoluments) (note (i)) | 4,711 | 8,671 |
| (b) Other items | | |
| Depreciation, included in: | | |
| — Direct costs | 115 | 352 |
| — Administrative expenses: | | |
| — Assets held under finance lease | 33 | 17 |
| — Owned assets | 23 | 23 |
| | 171 | 392 |
| Operating lease charges: | | |
| — Land and buildings | 384 | 384 |
| Subcontracting charges (included in direct costs) | 135,269 | 148,683 |
| Listing expenses | – | 3,282 |
| Auditor's remuneration | 600 | 600 |
| Loss on disposal of available for sale financial assets | 231 | – |
| Gain on disposal of property, plant and equipment | (1,734) | – |

Note: (i) Staff costs (including directors' emoluments)

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------------|------------------|------------------|
| Direct costs | 2,302 | 6,232 |
| Administrative expenses | 2,409 | 2,439 |
| | 4,711 | 8,671 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Provision for Hong Kong Profits Tax | | |
| Current year | 1,352 | 2,283 |
| Over provision in respect of prior years | (102) | – |
| | 1,250 | 2,283 |

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Profit before income tax | 5,817 | 9,473 |
| Tax on profit before income tax at 16.5% (2016: 16.5%) | 960 | 1,563 |
| Tax effect of expense not deductible for tax purpose | 489 | 761 |
| Tax effect of income not taxable | (119) | – |
| Temporary differences not recognised | (20) | (41) |
| Over provision in prior years | (102) | – |
| Other | 42 | – |
| Income tax expense for the year | 1,250 | 2,283 |

As at 30 April 2017, no deferred taxation has been provided as there are no significant unrecognised temporary differences (2016: nil).

10. DIVIDENDS

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Interim dividends of HK\$nil (2016: HK\$60 per ordinary share of Fraser Construction Company Limited) | – | 10,000 |

The directors do not recommend the payment of any dividend in respect of the year.

For the year ended 30 April 2016, interim dividends of HK\$10,000,800 were appropriated to the then shareholders of Fraser Construction Company Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

11. EARNINGS PER SHARE

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Earnings | | |
| Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share | 4,567 | 7,190 |

| | 2017 '000 | 2016 '000 |
|--|--------------|--------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,440,000 | 1,336,658 |

There were no dilutive potential ordinary shares during both years and therefore, diluted earnings per share are not presented.

The weighted average number of ordinary shares in issue during the year ended 30 April 2016 comprises 1,235,000,000 ordinary shares on assumption that the reorganisation and capitalisation had been effective on 1 May 2015, and the weighted average of 101,658,000 ordinary share in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

12. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

Emoluments of directors disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follow:

| | Fee HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Retirement scheme contributions HK\$'000 | Total HK\$'000 |
|---|-----------------|--|---|-------------------|
| 2017 | | | | |
| Executive directors: | | | | |
| Mr. Yu | 360 | – | 18 | 378 |
| Ms. Wong | 240 | – | 12 | 252 |
| Non-executive director: | | | | |
| Mr. Cheung Kin Keung Martin | 150 | – | – | 150 |
| Independent Non-executive directors: | | | | |
| Mr. Law Yiu Sing | 150 | – | – | 150 |
| Mr. Wong Kwok Chuen | 150 | – | – | 150 |
| Mr. Wong Law Fai | 150 | – | – | 150 |
| | 1,200 | – | 30 | 1,230 |

| | Fee HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Retirement scheme contributions HK\$'000 | Total HK\$'000 |
|---|-----------------|--|---|-------------------|
| 2016 | | | | |
| Executive directors: | | | | |
| Mr. Yu | 360 | – | 18 | 378 |
| Ms. Wong | 210 | – | 12 | 222 |
| Non-executive director: | | | | |
| Mr. Cheung Kin Keung Martin | 75 | – | – | 75 |
| Independent Non-executive directors: | | | | |
| Mr. Law Yiu Sing | 75 | – | – | 75 |
| Mr. Wong Kwok Chuen | 75 | – | – | 75 |
| Mr. Wong Law Fai | 75 | – | – | 75 |
| | 870 | – | 30 | 900 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

12. DIRECTORS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

For the year ended 30 April 2017, a director of the Group is among the five highest paid individuals (2016: nil). The aggregate of the emoluments in respect of the remaining four (2016: five) highest paid individuals are as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---------------------------------|------------------|------------------|
| Salaries, fee and allowances | 1,929 | 2,501 |
| Discretionary bonuses | 355 | 200 |
| Retirement scheme contributions | 70 | 90 |
| | 2,354 | 2,791 |

The emoluments fell within the following bands:

| | Number of individuals | |
|-------------------|-----------------------|------|
| | 2017 | 2016 |
| Emolument bands | | |
| Nil–HK\$1,000,000 | 4 | 5 |

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 30 April 2017 (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

13. PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery HK\$'000 | Motor vehicles HK\$'000 | Furniture and fixtures HK\$'000 | Total HK\$'000 |
|---|------------------------------------|-------------------------------|---------------------------------------|-------------------|
| Cost | | | | |
| At 1 May 2015 | 2,463 | 5,025 | 533 | 8,021 |
| Additions | – | – | 126 | 126 |
| At 30 April 2016 | 2,463 | 5,025 | 659 | 8,147 |
| As at 1 May 2016 | 2,463 | 5,025 | 659 | 8,147 |
| Additions | – | 109 | 7 | 116 |
| Disposals | – | (3,891) | – | (3,891) |
| At 30 April 2017 | 2,463 | 1,243 | 666 | 4,372 |
| Accumulated depreciation | | | | |
| At 1 May 2015 | (2,463) | (4,434) | (441) | (7,338) |
| Charge for the year | – | (352) | (40) | (392) |
| At 30 April 2016 | (2,463) | (4,786) | (481) | (7,730) |
| As at 1 May 2016 | (2,463) | (4,786) | (481) | (7,730) |
| Depreciation written back upon disposals | – | 3,891 | – | 3,891 |
| Charge for the year | – | (123) | (48) | (171) |
| At 30 April 2017 | (2,463) | (1,018) | (529) | (4,010) |
| Net book value | | | | |
| At 30 April 2017 | – | 225 | 137 | 362 |
| At 30 April 2016 | – | 239 | 178 | 417 |

As at 30 April 2017, furniture and fixtures with net of HK\$74,000 (2016: HK\$98,000) was held under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 30 April 2017 are as follows:

| Company name | Place of incorporation | Issued ordinary share capital | Equity interest attributable to the Group | | Principal activities |
|--|------------------------|---|---|------|--|
| | | | 2017 | 2016 | |
| Directly held | | | | | |
| True Sincere Group Limited | BVI | US\$1 of 1 ordinary share | 100% | 100% | Investment holdings |
| Indirectly held | | | | | |
| Strong Move Global Limited | BVI | US\$1 of 1 ordinary share | 100% | 100% | Investment holdings |
| Magic City Developments Limited | BVI | US\$1 of 1 ordinary share | 100% | 100% | Investment holdings |
| Fraser Construction Company Limited | Hong Kong | HK\$18,000,000 of 180,000 ordinary shares | 100% | 100% | Undertaking slope works, foundation works and other general building works in Hong Kong |
| Tubo Technology Construction Company Limited | Hong Kong | HK\$1,000 of 1,000 ordinary shares | 100% | 100% | Provision of consultancy services in relation to the management of projects involving slop works, foundation works and/or other general building works |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

15. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the year:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Trade receivables | 20,373 | 19,465 |
| Retention receivables | 9,304 | 10,836 |
| Other receivables and prepayments | 678 | 526 |
| Utility and other deposits | 682 | 565 |
| | 31,037 | 31,392 |

Trade receivables

The Group usually provide customers with a credit term of 21–60 days (2016: 21–60 days). For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates (or date of revenue recognition, if earlier), the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--------------|------------------|------------------|
| 0–30 days | 20,311 | 16,753 |
| 31–60 days | 11 | 2,118 |
| 61–90 days | 16 | 139 |
| Over 90 days | 35 | 455 |
| | 20,373 | 19,465 |

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no impairment has been recognised as at 30 April 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

Ageing of trade receivables which are past due but not impaired were as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------------------|------------------|------------------|
| Neither past due nor impaired | 20,322 | 12,596 |
| Less than 30 days past due | – | 6,259 |
| 31–60 days past due | 16 | 16 |
| 61–90 days past due | – | 139 |
| Over 90 days past due | 35 | 455 |
| | 20,373 | 19,465 |

Trade receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Retention receivables

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No ageing analysis of retention receivables is presented as the retentions are release to the Group pursuant to the provision of the relevant contracts after the completion of the projects in question.

Retention receivables are interest-free and repayable approximately one year after the expiry of the defect liability period of construction projects.

No amounts in relation to other receivables were past due at 30 April 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

16. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|----------------------|----------------------|
| Contract costs incurred plus recognised profits less recognised losses Less: progress billings | 576,624 (575,936) | 470,617 (465,892) |
| Contract work-in-progress | 688 | 4,725 |
| Analysed for reporting purposes as: | | |
| Amounts due from customers on construction contracts | 7,979 | 7,747 |
| Amounts due to customers on construction contracts | (7,291) | (3,022) |
| | 688 | 4,725 |

The gross amounts due from/(to) customers on construction contracts are expected to be recovered/ settled within one year.

At 30 April 2017, retentions held by customers for construction contracts in progress amounted to HK\$9,304,000 (2016: HK\$10,836,000).

17. CASH AND BANK BALANCES

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Cash at bank | 2,025 | 74,876 |
| Cash deposit (note (c)) | 65,000 | – |
| Less: pledged time deposits | – | (25,038) |
| Cash and cash equivalents per the consolidated statement of cash flows | 67,025 | 49,838 |

Notes:

- (a) All cash and cash equivalents are denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (c) Cash deposit represents the deposit at a securities company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

18. TRADE AND OTHER PAYABLES

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------------------|------------------|------------------|
| Trade payables (note (a)) | 7,016 | 15,853 |
| Retention payables (note (b)) | 7,706 | 7,911 |
| Accruals and other payables | 2,299 | 2,182 |
| | 17,021 | 25,946 |

Notes:

- (a) Payment terms granted by suppliers are 42–60 days (2016: 42–60 days) from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--------------|------------------|------------------|
| 0–30 days | 6,818 | 13,560 |
| 31–60 days | – | 1,734 |
| 61–90 days | – | – |
| Over 90 days | 198 | 559 |
| | 7,016 | 15,853 |

- (b) Retention payables are interest-free and settled in accordance with the terms of the respective contracts.
- (c) All trade and other payables are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

19. OBLIGATION UNDER FINANCE LEASES

As at 30 April 2017, the Group had obligations under finance leases repayable as follows:

| | Total minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------------|------------------|---|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 |
| Within one year | 34 | 34 | 23 | 23 |
| In the second to fifth years inclusive | 75 | 110 | 50 | 73 |
| | 109 | 144 | 73 | 96 |
| Future finance charges | (36) | (48) | | |
| Present value of finance lease liabilities | 73 | 96 | | |

Obligation under finance leases are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Company.

The Group has entered into finance leases for items of furniture and fixtures. The lease period is for 5 years. The Company has the option to purchase the leased assets which is expected to be sufficiently lower than the fair value of the leased assets at the end of the lease. None of the leases include contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

20. CAPITAL AND RESERVES

Movements of the authorised and issued share capital of the Company for the year ended 30 April 2017 are as follows:

(a) Share capital

| | 2017 | | 2016 | |
|--|---------------------------|---|---------------------------|---|
| | Number of ordinary shares | Nominal value of ordinary shares HK\$'000 | Number of ordinary shares | Nominal value of ordinary shares HK\$'000 |
| Authorised: | | | | |
| At beginning of the year | 2,000,000,000 | 20,000 | - | - |
| Ordinary shares of HK\$0.01 each at 20 May 2015 (date of incorporation) (note i) | - | - | 38,000,000 | 380 |
| Increase in authorised share capital in the year (note ii) | - | - | 1,962,000,000 | 19,620 |
| At end of the year | 2,000,000,000 | 20,000 | 2,000,000,000 | 20,000 |
| Issued and fully paid: | | | | |
| At beginning of the year | 1,440,000,000 | 14,400 | 1 | - |
| Issuance of share capital (note i) | - | - | 9,999 | 1 |
| Capitalisation issue of shares (note iii) | - | - | 1,234,990,000 | 12,349 |
| Issue of shares upon listing (note iv) | - | - | 205,000,000 | 2,050 |
| At end of the year | 1,440,000,000 | 14,400 | 1,440,000,000 | 14,400 |

- (i) The Company is a limited liability company incorporated in the Cayman Islands on 20 May 2015 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK\$0.01 each. 1 share was allotted and issued nil-paid to the subscriber and was subsequently transferred to National Honour on the same day. On 17 June 2015, the 1 nil-paid share then held by National Honour was credited as fully paid, and 9,999 Shares, all credited as fully paid, were allotted and issued to National Honour.
- (ii) On 15 October 2015, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.
- (iii) Pursuant to the written resolutions of the shareholders passed on 15 October 2015, 1,234,990,000 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the Company.
- (iv) On 2 November 2015, the Company issued a total of 205,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.20 per share in relation to the placing of the Company's shares. Of the gross total proceeds of HK\$41,000,000, HK\$2,050,000 representing the par value was credited to the Company's share capital, and HK\$38,950,000 before reduction of the share issuance expenses of HK\$2,144,000, was credited to the share premium account.

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's equity is set out in the consolidated statements of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

20. CAPITAL AND RESERVES (CONTINUED)

(c) Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose total debt is defined as current and non-current obligation under finance lease as shown in the consolidated statement of financial position. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at the end of reporting period is as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--------------------------------|------------------|------------------|
| Total debt: | | |
| Obligation under finance lease | 73 | 96 |
| Total equity | 83,696 | 79,129 |
| Gearing ratio | 0.1% | 0.1% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------------------|------------------|------------------|
| ASSETS AND LIABILITIES | | |
| Non-current asset | | |
| Investments in subsidiaries | – | – |
| Current assets | | |
| Other receivables | 524 | 176 |
| Amounts due from subsidiaries | – | 34,460 |
| Cash and bank balances | 65,000 | – |
| | 65,524 | 34,636 |
| Current liabilities | | |
| Other payables | 850 | 1 |
| | 850 | 1 |
| Net current assets | 64,674 | 34,635 |
| Net assets | 64,674 | 34,635 |
| Capital and reserves | | |
| Share capital | 14,400 | 14,400 |
| Reserves | 50,274 | 20,235 |
| Total equity | 64,674 | 34,635 |

Mr. Yu Shek Man, Ringo
Director

Ms. Wong So Wah
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement of the Company's reserves are as follows:

| | Share premium HK\$'000 | Accumulated loss HK\$'000 | Total HK\$'000 |
|--|------------------------------|---------------------------------|-------------------|
| Upon incorporation | – | – | – |
| Issue of shares pursuant to capitalisation issue | (12,349) | – | (12,349) |
| Issue of shares upon placing of the Company's shares | 38,950 | – | 38,950 |
| Expenses incurred in connection with the issue of shares during the year | (2,144) | – | (2,144) |
| Loss and total comprehensive loss for the year | – | (4,222) | (4,222) |
| Balance at 30 April 2016 | 24,457 | (4,222) | 20,235 |
| Profit and total comprehensive profit for the year | – | 30,039 | 30,039 |
| Balance at 30 April 2017 | 24,457 | 25,817 | 50,274 |

22. OPERATING LEASE COMMITMENTS

As lessee

At the reporting date, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of land and building as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|------------------------------|------------------|------------------|
| Within one year | 384 | – |
| In the second to fifth years | 384 | – |
| | 768 | – |

The Group leases a property under operating leases. The lease run for an initial period of three years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the lease includes contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

23. RELATED PARTY TRANSACTIONS

(a) The following parties are identified as related parties of the Group:

| Name | Relationship with the Group |
|--------------------------------------|--|
| Mars Glare Limited ("Mars Glare") | A related company with interests owned by Mr. Yu, one of the Controlling Shareholders and an executive director of the Company |

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel are as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---|------------------|------------------|
| Salaries, fee and allowances | 2,173 | 2,052 |
| Discretionary bonuses | 290 | 200 |
| Retirement benefit scheme contributions | 84 | 84 |
| | 2,547 | 2,336 |

(c) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with its related parties:

| Name of related party | Nature | 2017 HK\$'000 | 2016 HK\$'000 |
|-----------------------|------------------------------|------------------|------------------|
| Mars Glare | Rent paid thereto (Note (i)) | 384 | 384 |

Note:

- (i) An office with car parking space was leased from Mars Glare during the year ended 30 April 2016 and 2017 on terms mutually agreed between both parties.

24. CONTINGENT LIABILITIES

At 30 April 2016 and 2017, the Group has been involved in a number of claims, litigations and potential claims against the Group regarding the employees' compensation and common law personal injury. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

25.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and liabilities:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|----------------------------------|------------------|------------------|
| Financial assets | | |
| Loans and receivables: | | |
| — Trade and other receivables | 30,513 | 31,217 |
| — Cash and bank balances | 67,025 | 74,876 |
| | 97,538 | 106,093 |
| Financial liabilities | | |
| At amortised costs: | | |
| — Trade and other payables | 17,021 | 25,946 |
| — Obligation under finance lease | 73 | 96 |
| | 17,094 | 26,042 |

25.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings and obligations under finance leases bearing fixed rates expose the Group to fair value interest rate risk and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

25.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount as summarised in note 25.1.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 30 April 2017, the Group has concentration of credit risk as 6% (2016: 31%), and 17% (2016: 61%) of the total trade and other receivables were due from the Group's largest customer and five largest customers respectively. The aggregate amounts of trade and other receivables from these customers amounted to HK\$6,058,000 (2016: HK\$9,682,000), and HK\$16,579,000 (2016: HK\$19,059,000) of the Group's total trade and other receivables at 30 April 2017.

25.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at the end of the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

25.4 Liquidity risk (Continued)

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

| | On demand or within one year HK\$'000 | Over 1 year but within 5 years HK\$'000 | Total undiscounted cash flow HK\$'000 | Carrying amount HK\$'000 |
|--------------------------------|--|--|--|--------------------------------|
| At 30 April 2017 | | | | |
| Trade and other payables | 17,021 | – | 17,021 | 17,021 |
| Obligation under finance lease | 34 | 76 | 110 | 73 |
| | 17,055 | 76 | 17,131 | 17,094 |
| At 30 April 2016 | | | | |
| Trade and other payables | 25,946 | – | 25,946 | 25,946 |
| Obligation under finance lease | 34 | 110 | 144 | 96 |
| | 25,980 | 110 | 26,090 | 26,042 |

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

25.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at the end of the reporting date due to their short maturities.

26. EVENTS AFTER THE REPORTING PERIOD

The Company has undergone a change in controlling shareholder on 5 May 2017 after United Financial Holdings Group Limited executed the sale and purchase agreement acquiring 1,080,000,000 ordinary shares of the Company (the "Shares"). Upon the close of the unconditional mandatory general offer on 22 June 2017, United Financial Holdings Group Limited held 1,081,010,000 Shares, constituting an aggregate of approximately 75.07% of the Company's total issued capital. For further details, please refer to the announcements of the Company dated 17 July 2017 and 22 June 2017 respectively, and the composite document of the Company dated 1 June 2017.

FINANCIAL SUMMARY

For the year ended 30 April 2017

A summary of the results and of the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements in this annual report and the Prospectus of the Company, is as follows.

| | 2017 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
|--|--------------------------------|------------------|------------------|
| Revenue | 148,571 | 180,602 | 157,346 |
| Cost of sales | (139,278) | (162,549) | (136,580) |
| Gross profit | 9,293 | 18,053 | 20,766 |
| Other income and net gains | 3,074 | 331 | 1,682 |
| Administrative and other operating expenses | (6,538) | (8,824) | (7,779) |
| Operating profit | 5,829 | 9,560 | 14,669 |
| Finance costs | (12) | (87) | (68) |
| Profit before income tax | 5,817 | 9,473 | 14,601 |
| Income tax expense | (1,250) | (2,283) | (3,170) |
| Profit for the year | 4,567 | 7,190 | 11,431 |
| Other comprehensive income | – | – | – |
| Total comprehensive income for the year | 4,567 | 7,190 | 11,431 |
| Profit attributable to owners of the Company | 4,567 | 7,190 | 11,431 |
| Total comprehensive income attributable to owners of the Company | 4,567 | 7,190 | 11,431 |
| Assets and liabilities | | | |
| Total assets | 108,716 | 114,432 | 74,924 |
| Total liabilities | (25,020) | (35,303) | (31,842) |
| Net assets | 83,696 | 79,129 | 43,082 |
| Equity attributable to equity holders of the Company | 83,696 | 79,129 | 43,082 |