

# FRASER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8366



PLACING

Sponsor



大有融資有限公司  
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager

**Quam**  華富嘉洛  
Securities & Futures 證券期貨

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## IMPORTANT

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*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

### Fraser Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

#### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

**Number of Placing Shares : 360,000,000 Placing Shares (comprising  
205,000,000 New Shares to be offered by our  
Company and 155,000,000 Sale Shares to be  
offered by the Selling Shareholder)**

**Placing Price : HK\$0.20 per Placing Share (payable in full  
on application plus brokerage of 1%, SFC  
transaction levy of 0.0027% and Stock  
Exchange trading fee of 0.005%)**

**Nominal Value : HK\$0.01 per Share  
Stock code : 8366**

Sponsor



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

Bookrunner and Lead Manager



Co-lead Manager



**智華證券有限公司**  
**Supreme China Securities Limited**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Pursuant to the termination provisions contained in the Underwriting Agreement in respect of the Placing Shares, the Lead Manager (for itself and on behalf of the other Underwriter) has the right in certain circumstances, at its sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange (such first dealing date is currently expected to be on Monday, 2 November 2015). Further details of the terms of the termination provisions are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus. It is important that you refer to that section for further details.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk factors” in this prospectus.**

23 October 2015

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## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

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**2015**  
(Note 1)

Announcement of the level of indication of interests in the Placing to be published on our Company's website at <a href="http://www.fraserholdings.com">www.fraserholdings.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (Note 2) . . . . .	Friday, 30 October
Allotment of Placing Shares to placees (or their designated person(s)) on or about . . . . .	Friday, 30 October
Despatch of share certificates for the Placing Shares into CCASS on or about (Note 3 and 4) . . . . .	Friday, 30 October
Dealings in the Shares on GEM to commence at 9:00 a.m. on . . . . .	Monday, 2 November

*Notes:*

1. All times refer to Hong Kong local time and date. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and conditions of the Placing" in this prospectus.
2. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
3. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Friday, 30 October 2015 for credit to the respective CCASS Participant's stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
4. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Monday, 2 November 2015) provided that (i) the Placing becomes unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus has not been exercised thereto and has lapsed.

**Pursuant to the Underwriting Agreement in respect of the Placing, the Lead Manager (for itself and on behalf of the other Underwriter) has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Monday, 2 November 2015). Further details of the terms of the termination provisions are set out in the section headed "Underwriting" in this prospectus.**

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*You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Placing.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

*Various expressions used in this summary are defined in the section headed “Definitions and glossary of technical terms” in this prospectus.*

### BUSINESS OVERVIEW

We are 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. The following table sets out a breakdown of our revenue during the Track Record Period:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Slope works	114,083	88.93	143,013	90.89
Foundation works	6,572	5.12	1,283	0.82
General building works	7,455	5.81	12,825	8.15
Others ( <i>note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
Total revenue	<u>128,295</u>	<u>100.0</u>	<u>157,346</u>	<u>100.0</u>

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

The majority of our revenue during the Track Record Period was derived from public sector projects, i.e. projects that originate from the Government or statutory bodies, where our customers primarily included Government departments such as CEDD, Lands Department and Architectural Services Department, as well as other statutory bodies including the Housing Authority and one which is responsible for the operation and management of certain Chinese temples in Hong Kong. During the Track Record Period, we have also undertaken private sector projects, i.e. projects that are not public

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## SUMMARY

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sector projects, where our customers primarily included a private investment company and a bank. The following table sets forth a breakdown of our revenue during the Track Record Period by public and private sector projects:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Public sector projects	107,852	84.07	139,330	88.55
Private sector projects	20,258	15.79	17,791	11.31
Others ( <i>note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
 Total	 <u>128,295</u>	 <u>100.0</u>	 <u>157,346</u>	 <u>100.0</u>

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

Most of our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor. We normally engage further subcontractors to carry out the site works and we mainly focus on (i) the supervision of site works carried out by our subcontractors with a view to ensuring the conformity of the works with the specifications required by our customers as well as the overall quality of the works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the works.

Most of the machinery and direct labours required for the performance of site works are provided by our subcontractors. Construction materials required for the performance of site works are normally procured by our subcontractors directly without our involvement, or, alternatively, procured by us on behalf of our subcontractors, where the relevant costs are normally borne by our subcontractors. Construction materials procured by us on behalf of our subcontractors are purchased on a project-by-project basis and we do not maintain any inventory of construction materials.

Our revenue mainly represents income derived from undertaking contract works. Costs of our services mainly include subcontracting charges and staff costs in respect of our on-site project management and supervision personnel as well as direct labours for carrying out site works.

Fraser Construction, 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 is registered under the Buildings Ordinance as a (i) Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories; and (ii) Registered General Building Contractor. For further details, please refer to the section headed “Business — Licences and permits” on page 112 to 119 in this prospectus.



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## SUMMARY

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During the Track Record Period, we have been awarded with an aggregate of 16 projects:

	FY2014	FY2015	Total
Number of projects awarded ( <i>Note 1</i> )			
— Public sector projects	4	2	6
— Private sector projects	<u>8</u>	<u>2</u>	<u>10</u>
	<u>12</u>	<u>4</u>	<u>16</u>
Corresponding amount of original contract sum in respect of all projects awarded ( <i>Note 2</i> )	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
— Public sector projects	130.7	97.9	228.6
— Private sector projects	<u>33.3</u>	<u>2.8</u>	<u>36.1</u>
	<u>164.0</u>	<u>100.7</u>	<u>264.7</u>

*Notes:*

1. Number of projects awarded for each financial year includes all projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.
2. Such amount excludes any subsequent changes due to variation orders or contract price adjustments.

Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as adverse weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a project (from the date of engagement to the date of completion) could range from several months to more than three years.

During the Track Record Period, we had an aggregate of 23 projects with revenue contribution to us, the full list of which is shown in the section headed “Business — Projects undertaken during the Track Record Period” on pages 105 to 110 in this prospectus.

### MARKETING

Our Directors consider that our ability to obtain new businesses primarily hinges on our reputation and track record in the industry and our qualifications as an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status and “Land Piling (Group II)” and as a Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories, and a Registered General Building Contractor.

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## SUMMARY

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During the Track Record Period, our marketing activities included placing advertisements and sponsoring certain events in the construction industry in Hong Kong to promote awareness of our Group. For each of FY2014 and FY2015, our total marketing expenses amounted to approximately HK\$24,000 and HK\$33,000 respectively.

Our public sector projects are normally awarded through open tendering procedures and we obtain information on new tender opportunities mainly by (i) reviewing the Government Gazette and the Government's website on which tender notices from different Government departments are published and (ii) receiving notices of invitation to tender directly from certain Government departments and statutory bodies. Our private sector projects are normally awarded through invited tendering procedures and we obtain information regarding new business opportunities directly from clients by way of invitation letters, phone calls or verbal invitations.

### COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

The majority of our revenue during the Track Record Period was derived from undertaking slope works commissioned by the Government and statutory bodies. In 2010, the Geotechnical Engineering Office of the CEDD launched the Landslip Prevention and Mitigation Programme to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. According to the Government's statement upon the launch of the Landslip Prevention and Mitigation Programme, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments. Please refer to the section headed "Industry overview — Slope works industry — Landslip Prevention and Mitigation Programme" on pages 53 to 54 in this prospectus for further information.

According to the Ipsos Report, the top five slope works contractors in Hong Kong together accounted for approximately 52.2% of the total revenue of the slope works industry in Hong Kong in 2014 (for both public and private slope works). Fraser Construction was the third largest slope works contractor in Hong Kong in 2014, with approximately 9.2% of the total revenue of the slope works industry in Hong Kong in 2014 (for both public and private slope works).

We believe that our competitive strengths include (i) our experienced project management team; (ii) our stringent quality control, safety and environmental management systems which conform to the ISO 9001, OHSAS 18001 and ISO 14001 standards respectively; and (iii) our high performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government.

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## SUMMARY

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### **BUSINESS STRATEGIES**

We intend to pursue the following key business strategies: (i) further developing our business by undertaking more projects with the use of a portion of the net proceeds from the Placing for strengthening our financial resources and satisfying the various working capital requirements associated with undertaking contract works including but not limited to those resulting from the time lags between making payments to our subcontractors and receiving payments from our customers, customers' requirements for us to take out performance bonds, and the statutory capital requirements in relation to our retention on the List of Approved Specialist Contractors for Public Works; and (ii) further strengthening our manpower by recruiting additional experienced personnel for our project management and supervision team and providing more training to our existing and newly recruited staff in order to cope with our business development and our plan to undertake more projects.

### **RISK FACTORS**

Potential investors are advised to carefully read the section headed "Risk factors" on pages 23 to 41 in this prospectus before making any investment decision in the Placing Shares. Some of the more particular risk factors include: (i) a significant portion of our revenue was generated from Government contracts during the Track Record Period and any significant reduction in the level of Government's spending on construction projects may materially and adversely affect us; (ii) our revenue is mainly derived from projects which are not recurrent in nature and our business depends significantly on our success rate on project tendering; (iii) we determine the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results; (iv) our past revenue and profit margin may not be indicative of our future revenue and profit margin; (v) we must be able to remain in the List of Approved Specialist Contractors for Public Works in order to tender for Government contracts and any failure in doing so could significantly hinder our business and affect our future financial results; and (vi) our Group is dependent on key personnel and there is no assurance that our Group can retain them.

### **CONCENTRATION OF CUSTOMERS AND SUPPLIERS**

For each of FY2014 and FY2015, our revenue generated from contracts awarded by Government departments and statutory bodies represented approximately 84.07% and 88.55% of our Group's total revenue respectively. Our Directors consider that our Group's business model is sustainable despite such customer concentration due to, among other factors, the Landslip Prevention and Mitigation Programme, the fact that the majority of the man-made slopes in Hong Kong are Government slopes, and the eligibility and procedures required for tendering for public works contracts, which are discussed in detail in the section headed "Business — Customers — Customer concentration" on pages 125 to 126 in this prospectus.

Our top five suppliers accounted for approximately 78.06% and 83.55% of our total purchases for each of FY2014 and FY2015 respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier as further discussed in the section headed "Business — Suppliers — Supplier concentration" on page 130 in this prospectus.

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## SUMMARY

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### KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	<b>FY2014</b> <i>HK\$'000</i>	<b>FY2015</b> <i>HK\$'000</i>
<b><i>Results of operations</i></b>		
Revenue	128,295	157,346
Gross profit	15,540	20,766
Profit before income tax	14,135	14,601
Profit and total comprehensive income for the year	11,537	11,431
	<b>As at</b> <b>30 April</b> <b>2014</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April</b> <b>2015</b> <i>HK\$'000</i>
<b><i>Financial position</i></b>		
Non-current assets	1,557	683
Current assets	54,190	74,241
Non-current liabilities	Nil	Nil
Current liabilities	24,096	31,842
Net current assets	30,094	42,399
Total equity	31,651	43,082
	<b>FY2014</b> <i>HK\$'000</i>	<b>FY2015</b> <i>HK\$'000</i>
<b><i>Cash flows</i></b>		
Operating cash flows before working capital changes	16,150	15,090
Net cash generated from operating activities	1,366	10,630
Net cash generated from/(used in) investment activities	(2,762)	2,973
Net cash generated from/(used in) financing activities	(2,800)	6,602
<b><i>Key financial ratios</i></b>		
Gross profit margin	12.11%	13.20%
Net profit margin	8.99%	7.26%
Return on equity	36.44%	26.53%
Return on assets	20.70%	15.26%
Current ratio	2.25	2.33
Trade receivables turnover days	58.36 days	59.32 days
Trade payables turnover days	47.20 days	41.34 days
Gearing ratio	0.00%	15.32%

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## SUMMARY

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In FY2015, our revenue increased by approximately 22.64% as compared with that in FY2014, which was primarily due to the increase in revenue derived from certain slope works contracts which were awarded by CEDD (being our largest customer in terms of revenue during the Track Record Period) and which were ongoing in both FY2014 and FY2015 as a result of our actual works progress under the relevant contracts. Despite such increase in our revenue, our profit and total comprehensive income for FY2015 slightly decreased by approximately 0.92% mainly as a result of the recognition of listing expenses of approximately HK\$4.74 million in FY2015 (FY2014: nil) and the tax effect of the non-deductible listing expenses. Please refer to the section headed “Financial information” on pages 198 to 245 in this prospectus for a further discussion and analysis of our financial information.

The following table summarises our overall tender success rate for each of FY2014 and FY2015:

	<b>FY2014</b>	<b>FY2015</b>
Tender success rate ( <i>Note</i> )	18%	10%

*Note:* Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year, divided by the number of tenders submitted during the financial year.

It is our general strategy to respond to our customers’ invitations and tender notices from the Government and statutory bodies by submitting tenders. Our Directors believe such strategy allows us to (i) maintain relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful in tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may submit tenders which are less competitive for projects, thereby leading to fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of the aggregate amount of original contract sum in respect of the contracts awarded as shown in the above table, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

## CONTROLLING SHAREHOLDERS

Immediately following completion of the Placing and the Capitalisation Issue and not taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, National Honour, which is an investment holding company incorporated in the BVI and directly owned as to 90% by Mr. Yu and as to 10% by Ms. Wong, will hold 75% of the issued share capital of our Company. Mr. Yu, Ms. Wong and National Honour are our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” on pages 187 to 192 in this prospectus for details.

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## SUMMARY

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Mr. Yu is our founder, the chairman of the Board, the chief executive officer, and an executive Director. Ms. Wong is an executive Director, the administration director of our Group, and the compliance officer of our Company. Mr. Yu and Ms. Wong are spouses to each other. Please refer to the section headed “Directors and senior management” on pages 169 to 186 in this prospectus for the biographical information of Mr. Yu and Ms. Wong.

### CONTINUING CONNECTED TRANSACTIONS

We have entered into the Tenancy Agreements with Mars Glare (which is a company owned as to 50% by Mr. Yu and as to 50% by Ms. Leung Wai Lan, the mother of Mr. Yu (who has been holding her interest in Mars Glare as a trustee for Mr. Yu pursuant to a declaration of trust dated 7 August 1990)) in relation to the lease of certain properties for office use and car parking. These transactions will continue after the Listing and will constitute exempt continuing connected transactions of our Company under the GEM Listing Rules. Further details are set forth in the section headed “Connected transactions” on page 168 in this prospectus.

### LITIGATION

During the Track Record Period and up to the Latest Practicable Date, there were on-going and settled litigation cases against our Group in relation to employees’ compensations claims and common law personal injury claims. For details of such litigation claims, please refer to the section headed “Business — Litigation and claims” on pages 163 to 167 in this prospectus.

### NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we have been involved in a number of non-compliance matters on various occasions, including non-compliance with the Predecessor Companies Ordinance, the Companies Ordinance, the Inland Revenue Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Employees’ Compensation Ordinance. For details, please refer to the section headed “Business — Non-compliance” on pages 142 to 152 in this prospectus.

### PLACING STATISTICS

Number of Placing Shares:	360,000,000 Placing Shares (comprising 205,000,000 New Shares to be offered by our Company and 155,000,000 Sale Shares to be offered by the Selling Shareholder)
Placing Price:	HK\$0.20 per Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)
Market capitalisation of the Shares:	HK\$288,000,000

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## SUMMARY

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Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share:

HK\$0.055. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure. In particular, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2015. If the effect of the interim dividends of HK\$10,000,800 declared and paid to Mr. Yu and Ms. Wong in August 2015 were taken into account, the figure would be HK\$0.048.

### LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$17.03 million, which will be borne as to approximately HK\$9.70 million by us and as to approximately HK\$7.33 million by the Selling Shareholder in proportion to the ratio of the number of New Shares to the number of Sale Shares. Of the amount of approximately HK\$9.70 million to be borne by us, approximately HK\$2.14 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$7.56 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$7.56 million that shall be charged to profit or loss, nil and approximately HK\$4.74 million has been charged for each of FY2014 and FY2015 respectively, and approximately HK\$2.82 million is expected to be incurred for FY2016. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2016 will be affected by the estimated expenses in relation to the Listing.

### FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received by us from the Placing based on the Placing Price of HK\$0.20 per Placing Share, after deducting related expenses to be borne by us, are estimated to be approximately HK\$31.30 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$25.77 million (approximately 82.33% of the net proceeds) will be earmarked throughout the period from the Latest Practicable Date to 30 April 2018 for satisfying the various working capital requirements associated with undertaking more contract works (including but not limited to those resulting from the time lags between making payments to our subcontractors and receiving payments from our customers, customers' requirements for us to take out performance bonds, and the statutory capital requirements in relation to our retention on the List of Approved Specialist Contractors for Public Works) in order for us to further develop our business and to undertake more projects should we be able to identify and secure suitable business opportunities, where we intend to submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise; and

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## SUMMARY

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- approximately HK\$5.53 million (approximately 17.67% of the net proceeds) will be used for further strengthening our manpower.

The following table sets forth a breakdown of how the net proceeds to be received by us from the Placing are intended to be applied and the timing of application:

	<b>From the Latest</b>		<b>From 1</b>		<b>From 1</b>		
	<b>Practicable</b>	<b>From 1 May</b>	<b>November</b>	<b>From 1 May</b>	<b>November</b>		
	<b>Date to 30</b>	<b>2016 to 31</b>	<b>2016 to 30</b>	<b>2017 to 31</b>	<b>2017 to 30</b>		<b>Total</b>
	<b>April 2016</b>	<b>October 2016</b>	<b>April 2017</b>	<b>October 2017</b>	<b>April 2018</b>		
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>		<i>HK\$ million</i>
Satisfying various working capital requirements, earmarked for							
- existing projects	0.62	—	—	—	—		0.62
- new projects	<u>5.63</u>	<u>6.15</u>	<u>4.46</u>	<u>4.46</u>	<u>4.45</u>		<u>25.15</u>
	6.25	6.15	4.46	4.46	4.45		25.77
Further strengthening our manpower	0.44	0.61	1.10	1.69	1.69		5.53

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of the proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Placing) will be approximately HK\$23.67 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

### DIVIDEND

For each of FY2014 and FY2015, we declared dividends of HK\$10.80 million and nil respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

In August 2015, we declared interim dividends in the aggregate amount of HK\$10,000,800 to Mr. Yu and Ms. Wong. Such dividends had been fully paid and we financed the payment of such dividends by our internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking slope works, foundation works and other general building works in Hong Kong.



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## SUMMARY

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As at the Latest Practicable Date, we had a total of nine projects on hand (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced). Please refer to the section headed “Business — Projects on hand” on pages 111 to 112 in this prospectus for a full list of our projects on hand as at the Latest Practicable Date. The following table sets out the amount of revenue expected to be recognised in respect of such projects on hand:

<b>Projects on hand</b>	<b>Slope works</b>	<b>Foundation works</b>	<b>General building works</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount of revenue expected to be recognized:				
- for FY2016	198,209	—	9,990	208,199
- after FY2016	<u>51,561</u>	<u>—</u>	<u>—</u>	<u>51,561</u>
<b>Total</b>	<u>249,770</u>	<u>—</u>	<u>9,990</u>	<u>259,760</u>

The following table sets out a breakdown of the revenue expected to be recognised in respect of such projects on hand by public sector projects and private sector projects:

<b>Projects on hand</b>	<b>Public sector projects</b>	<b>Private sector projects</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount of revenue expected to be recognised:			
- for FY2016	189,923	18,276	208,199
- after FY2016	<u>51,561</u>	<u>—</u>	<u>51,561</u>
<b>Total</b>	<u>241,484</u>	<u>18,276</u>	<u>259,760</u>

As illustrated in the above table, we expect to recognise revenue of approximately HK\$208.20 million for FY2016 based only on our projects on hand, which is higher than our revenue of approximately HK\$128.30 million for FY2014 and approximately HK\$157.35 million for FY2015. However, our Directors currently expect that our gross profit margin for FY2016 may be substantially lower than what we recorded during the Track Record Period because the majority of our projects on hand as at the Latest Practicable Date (in terms of revenue) are CEDD projects which are of large contract sums and for which we had set our tender prices based on lower expected profit margins due to the large absolute amounts of revenue and profits expected to be derived from such projects. As these on-going CEDD projects are expected to account for a substantial portion of our revenue to be recognised for FY2016 (revenue derived from CEDD projects accounted for approximately 44.29% and approximately 55.56% of our total revenue for each of FY2014 and FY2015 respectively, but

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## SUMMARY

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expected to be approximately 81.64% for FY2016 based only on our projects on hand as at the Latest Practicable Date), our Directors currently expect that despite the expected substantial increase in our revenue in FY2016 compared to FY2015, the increase in our gross profit for FY2016 may be considerably less substantial. Our Directors also expect that our financial performance for FY2016 will be affected by the estimated expenses in relation to the Listing that are to be recognised in FY2016.

Our Directors confirm that save for the expenses in connection with the Listing, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.*

“Architectural Services Department”	the Architectural Services Department of the Government
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 15 October 2015 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Bookrunner” or “Lead Manager”	Quam Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being an underwriter, the bookrunner and the lead manager of the Placing
“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 1,234,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 15 October 2015” in Appendix IV to this prospectus

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEDD”	Civil Engineering and Development Department of the Government
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Fraser Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 May 2015
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and unless the context otherwise requires, means Mr. Yu, Ms. Wong and National Honour
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“CT Partners”	CT Partners Consultants Limited, an independent internal control adviser engaged by us to perform an evaluation of the adequacy and effectiveness of our Group’s internal control system in preparation for the Listing, which is an independent third party
“Deed of Indemnity”	the deed of indemnity dated 15 October 2015 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) as further detailed in the section headed “Statutory and general information — E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deeds of Non-Competition”	three deeds of non-competition dated 15 October 2015 entered into by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“foundation works”	in respect of our business, generally include works in relation to the construction of foundations for general building construction
“Fraser Construction”	Fraser Construction Company Limited (科正建築有限公司), a company incorporated in Hong Kong on 5 October 1995 with limited liability and an indirect wholly-owned subsidiary of our Company
“FY2014”	the financial year ended 30 April 2014
“FY2015”	the financial year ended 30 April 2015
“FY2016”	the financial year ending 30 April 2016
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government”	the government of Hong Kong

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“Group”, “we”, “us” or “our”	our Company and our subsidiaries, at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HKD” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Housing Authority”	the Hong Kong Housing Authority, a statutory body in Hong Kong established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong) which is responsible developing and implementing Hong Kong’s public housing programme
“independent third party(ies)”	individual(s) or company(ies) who or which is/are independent and not connected with (within the meaning of the GEM Listing Rules) any of our Company, the directors, chief executive or Substantial Shareholders of our Company and our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, an independent market research agency, which is an independent third party
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing. ISO 9001:2008 is a version of ISO 9001

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“ISO 14001”	environmental management system requirements published by ISO. ISO 14001:2004 is a version of ISO 14001
“Lands Department”	the Lands Department of the Government
“Landslip Prevention and Mitigation Programme”	the rolling Landslip Prevention and Mitigation Programme launched by the Geotechnical Engineering Office of the CEDD in 2010
“Latest Practicable Date”	15 October 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Compliance Committee”	the legal compliance committee established by the Board
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an independent third party
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 2 November 2015, on which dealings in the Shares first commence on GEM
“List of Approved Specialist Contractors for Public Works”	the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” maintained by the Development Bureau of the Government
“Litigation Company Lawyer”	Messrs Adrian Yeung & Cheng, legal adviser to the Company as to Hong Kong laws in respect of litigation, which is an independent third party
“LPM”	landslip prevention and mitigation, and the terms “LPM works” and “slope works” may be used interchangeably in this prospectus
“Magic City”	Magic City Developments Limited, a company incorporated in the BVI on 26 March 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
“main contractor”	in respect of a construction project, a contractor who is appointed by the project employer or the project employer’s construction consultant and who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“man-made slopes”	slopes with certain man-made features, including cut-back slopes, slopes formed by filled materials, slopes with the support of retaining walls, and slopes containing disturbed terrain features
“Mars Glare”	Mars Glare Limited (星之明有限公司), a company incorporated in Hong Kong on 9 March 1990 with limited liability and owned as to 50% by Mr. Yu and as to 50% by Ms. Leung Wai Lan, the mother of Mr. Yu (who has been holding her interest in Mars Glare as a trustee for Mr. Yu pursuant to a declaration of trust dated 7 August 1990)
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 15 October 2015 and as amended from time to time
“minipile(s)”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“Mr. Yu”	Mr. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬)), an executive Director, the chairman of the Board, the chief executive officer and one of our Controlling Shareholders, as well as the spouse of Ms. Wong
“Ms. Wong”	Ms. WONG So Wah (黃素華), an executive Director, one of our Controlling Shareholders and the spouse of Mr. Yu
“National Honour”	National Honour Investments Limited (國譽投資有限公司), a company incorporated in the BVI with limited liability on 26 March 2015, which is owned as to 90% by Mr. Yu and as to 10% by Ms. Wong, respectively, and a Controlling Shareholder and the Selling Shareholder
“natural hillsides”	sloping terrains that are not significantly modified by human activities
“New Shares”	205,000,000 new Shares to be offered by our Company for subscription at the Placing Price under the Placing
“Nomination Committee”	the nomination committee of the Board
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business



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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company and the Selling Shareholder for cash at the Placing Price, as described in the section headed “Structure and conditions of the Placing” in this prospectus
“Placing Price”	HK\$0.20 per Placing Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Placing Shares are to be offered under the Placing
“Placing Shares”	the 360,000,000 Shares (comprising 205,000,000 New Shares to be offered by our Company and 155,000,000 Sale Shares to be offered by the Selling Shareholder) at the Placing Price pursuant to the Placing
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts that originate from the Government or statutory bodies
“Registered General Building Contractor”	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
“Registered Specialist Contractor”	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “Statutory and general information — A. Further information about our Company — 4. Corporate reorganisation” in Appendix IV to this prospectus
“Sale Shares”	155,000,000 Shares to be offered by the Selling Shareholders for sale at the Placing Price under the Placing
“Selling Shareholder”	National Honour, being the Shareholder who offers 155,000,000 Shares for sale in the Placing
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 15 October 2015, the principal terms of which are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus
“slope works”	in respect of our business, generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls, and the terms “slope works” and “LPM works” may be used interchangeably in this prospectus
“Sponsor”	Messis Capital Limited, the sponsor for the Listing and a licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Move”	Strong Move Global Limited (堅進環球有限公司), a company incorporated in the BVI on 26 March 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	The Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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“Tenancy Agreements”	the tenancy agreements dated 1 May 2015 entered into between Mars Glare (as landlord) and Fraser Construction (as tenant) in relation to the lease of certain properties, which will constitute exempt continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules upon Listing
“Track Record Period”	FY2014 and FY2015
“True Sincere”	True Sincere Group Limited (正誠集團有限公司), a company incorporated in the BVI on 13 March 2015 with limited liability and a direct wholly-owned subsidiary of our Company
“Tubo Tech”	Tubo Technology Construction Company Limited (天保建設有限公司), a company incorporated in Hong Kong on 31 December 2003 with limited liability and an indirect wholly-owned subsidiary of our Company
“Underwriters”	the underwriters of the Placing whose names are set out in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 22 October 2015 relating to the Placing entered into among our Company, our Controlling Shareholders, our executive Directors, the Selling Shareholder, the Sponsor, and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“US\$”	United States dollars, the lawful currency of the United States of America
“variation order”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site.
“sq.ft.”	square foot
“%”	per cent

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions or the negative use of such words are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- future developments in the industry in which our Group operate; and
- the trend of the economy of Hong Kong in general.

These statements are based on several assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors”, “Business”, “Financial information” and “Future plans and use of proceeds” of this prospectus.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Placing Shares. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**A significant portion of our revenue was generated from contracts granted by the Government and statutory bodies during the Track Record Period and any significant reduction in the level of Government's spending on construction projects particularly for slope works may materially and adversely affect us**

For each of FY2014 and FY2015, our revenue generated from contracts awarded by Government departments and statutory bodies represented approximately 84.07% and 88.55% of our total revenue respectively. For FY2016, we expect to recognise revenue of approximately HK\$189.92 million from our public sector projects on hand as at the Latest Practicable Date. Contracts from the Government and statutory bodies are normally awarded to contractors by way of public tender and there is no assurance that we will continue to obtain contracts from the Government and statutory bodies in the future. If we are unable to successfully tender for contracts from the Government and statutory bodies or if there is a significant decrease in our tender success rate, our business operations, financial results and profitability will be adversely affected.

In addition, the Government's spending budget on construction projects (especially those involving slope works and foundations works, being the principal types of works we undertook during the Track Record Period) may change from year to year, which in turn may be affected by various factors, including but not limited to changes in the Government's policies in relation to landslip prevention and mitigation, changes in the Government's public housing policy, the amount of investment in the construction of new infrastructure and improvement of existing infrastructure by the Government, the general financial conditions of the Government and the general economic conditions in Hong Kong. Any reduction or significant delay in the level of spending on construction projects by the Government or discontinuation of favourable Government programmes such as the Landslip Prevention and Mitigation Programme (see the section headed "Industry overview — Slope works industry — Landslip Prevention and Mitigation Programme" of this prospectus for further information) may affect our business and operating results. In the event that the Government reduces or delays its level of spending on construction projects and our Group fails to secure sufficient business from the private sector, the business and financial positions and prospects of our Group could be materially and adversely affected.

**Our revenue is mainly derived from projects which are not recurrent in nature and our business depends significantly on our success rate on project tendering**

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. Projects undertaken by us, including those

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## RISK FACTORS

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from the public and private sectors, are normally awarded to us through competitive tendering processes. There is no guarantee that we will be able to secure new businesses from our customers. Accordingly, the number, scale and nature of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

For each of FY2014 and FY2015, we recorded a tender success rate of approximately 18% and 10% respectively. Our success rate on project tendering depends on a range of factors, which primarily include our tender price and, in respect of Government contracts, our performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government (see the section headed "Business — Competitive strengths" in this prospectus for further details regarding our performance ratings).

There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

**We determine the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results**

We need to estimate the time and costs involved in a project in order to determine our tender price. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management and supervision personnel involved, non-performance by our subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

**Our past revenue and profit margin may not be indicative of our future revenue and profit margin**

For each of FY2014 and FY2015, our revenue amounted to approximately HK\$128.30 million and HK\$157.35 million respectively (representing an increase of approximately 22.64%), while our gross profit amounted to approximately HK\$15.54 million and HK\$20.77 million respectively (representing an increase of approximately 33.63% as well as gross profit margin of approximately 12.11% and 13.20% respectively).

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## RISK FACTORS

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However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication on and may not necessarily reflect our financial performance in the future. Our future performance will depend on, among other things, our ability to secure new businesses and to control our costs and will be subject to risk factors set out in this section. Our profit margins may fluctuate from project to project due to factors such as the accuracy of our estimation of our costs when committing to the amount of our contract price, the complexity and size of the project, subcontracting charges, and our pricing strategy. There is no assurance that our profit margins in the future will remain similar to the level that we achieved in the past.

**We must be able to remain in the List of Approved Specialist Contractors for Public Works in order to tender for Government contracts and any failure in doing so could significantly hinder our business and affect our future financial results**

Fraser Construction, 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.

The retention on the List of Approved Specialist Contractors for Public Works are subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook — Revision B published by the Development Bureau of the Government. Such criteria are summarised in the section headed “Business — Licences and permits” in this prospectus. The Secretary for Development of the Government reserves the right to remove any contractor from the List of Approved Specialist Contractors for Public Works or take other regulatory actions against a contractor such as suspension, or where applicable, downgrading from confirmed status to probationary status or demotion to a lower group if doubts arise as to the ability of a contractor to meet such criteria. Circumstances which may lead to the taking of regulatory actions include but not limited to unsatisfactory performance, failure to submit accounts or meet the financial criteria, poor site safety record, poor environmental performance, failure to submit a valid competitive tender for a period of three years, failure or refusal to implement an accepted tender, misconduct, violation of laws, etc.

In the event that Fraser Construction fails to remain on the List of Approved Specialist Contractors for Public Works under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status and “Land Piling (Group II)” or if any of the aforesaid regulatory actions is taken against it such as suspension, downgrading or demotion, the business and financial positions and prospects of our Group could be materially and adversely affected.

**Our Group is dependent on key personnel and there is no assurance that our Group can retain them**

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Yu and Ms. Wong, each being our executive Director. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this prospectus.

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## **RISK FACTORS**

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Our key personnel as well as their management experience in the construction industry in Hong Kong are crucial to our operations and financial performance. Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operations should any of our executive Directors terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future.

### **Our top five suppliers accounted for a substantial portion of our purchases**

During the Track Record Period, suppliers of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business included (i) our subcontractors; and (ii) suppliers of construction materials and consumables such as high-tensile steel, structural steel, cement and aggregates.

Our top five suppliers accounted for approximately 78.06% and 83.55% of our total purchases for each of FY2014 and FY2015 respectively. In particular, approximately 19.37% and 28.98% of our total purchases were attributable to our largest supplier for each of FY2014 and FY2015 respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that we would be able to identify new suppliers in replacement. In addition, there can be no assurance that the provision of goods and services from new suppliers in replacement, if any, would be on commercially comparable terms. As such, our operations and financial performance may be adversely affected.

### **We may be liable to pay liquidated damages if we fail to meet the completion schedule requirements specified in the works contracts undertaken by us**

Contracts undertaken by us typically include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts. In relation to the liquidated damages clause, a clause may be included in the contracts allowing for the extension of time without any liquidated damages penalty under certain circumstances such as poor weather conditions or the issue of variation orders. Liquidated damages are typically levied at a rate provided in the relevant contract on a daily basis. Any failure to meet the time schedule requirements specified in the contracts without the extension of time may result in our Group being liable to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, results of operations, reputation and prospect.

### **Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability**

We normally engage subcontractors to perform site works and we focus on project management and supervision. For each of FY2014 and FY2015, subcontracting charges incurred by us amounted to approximately HK\$97.45 million and HK\$127.88 million respectively. Notwithstanding our evaluation and selection of subcontractors, there is no assurance that the work quality of our subcontractors can always meet our requirements. Outsourcing exposes us to the risks associated with



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## RISK FACTORS

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non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could impact upon our profitability, financial performance and reputation.

In addition, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected. Please also see the paragraph headed "Our top five suppliers accounted for a substantial portion of our purchases" above in this section.

### **Rising construction costs, including the costs of construction workers and construction materials, may increase our costs of engaging subcontractors**

Construction works are generally labour-intensive in nature. However, according to the Ipsos Report, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. The average wage of construction workers in Hong Kong increased from an estimated HK\$57.9 per hour in 2010 to an estimated HK\$86.9 per hour in 2014, representing a CAGR of approximately 10.7%, mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as many skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry.

In addition, according to the Ipsos Report, the costs of certain key construction materials have also demonstrated a general increasing trend over the past five years. For instance, over the period from 2010 to 2014, the average wholesale price in Hong Kong increased at a CAGR of approximately 4.1% for cement. The general increases in construction material prices are affected by, among other factors, the strong construction demand in Hong Kong, Macau and the PRC.

We normally engage subcontractors to perform site works in respect of works contracts undertaken by us. The fees charged by our subcontractors depend on a number of factors, which generally include their own labour costs and the costs of construction materials. Therefore, if labour costs and costs of construction materials in Hong Kong keep increasing, our subcontracting costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Subcontracting charges are the most significant component of our direct costs. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 8% and 16%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average wage of construction workers as shown in the Ipsos Report (see the section headed "Industry overview

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## RISK FACTORS

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— Potential challenges — Labour shortage” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in our**

**subcontracting charges**

	+8%	+16%	-8%	-16%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

**Change in profit before tax (Note 1)**

FY2014	(7,796)	(15,593)	7,796	15,593
FY2015	(10,230)	(20,461)	10,230	20,461

**Change in profit after tax (Note 2)**

FY2014	(6,510)	(13,020)	6,510	13,020
FY2015	(8,542)	(17,085)	8,542	17,085

*Notes:*

1. Our profit before tax was approximately HK\$14.14 million for FY2014 and approximately HK\$14.60 million for FY2015.
2. Our profit after tax was approximately HK\$11.54 million for FY2014 and approximately HK\$11.43 million for FY2015.

**Working capital requirements associated with undertaking contract works and failure by customers to make timely or full payments may lead to liquidity risk**

When undertaking contract works, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. If we choose to pay our subcontractors only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality subcontractors for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an examination process on works completed and we cannot guarantee that our customers will pay in a timely manner or the full amount invoiced by us. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and our trade receivables turnover days. For each of FY2014 and FY2015, our trade payables turnover days were approximately 47.20 days and 41.34 days respectively and our trade receivables turnover days were approximately 58.36 days and 59.32 days respectively, which are further discussed in the section headed “Financial information” in this prospectus.

Some of our customers may also require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the section headed “Business — Customers — Principal terms of engagement — Performance bonds/liquidated damages requirement” in this prospectus.

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In addition, Fraser Construction, 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” and “Land Piling (Group II)”, which is a prerequisite for tendering for public sector projects in the relevant works categories. The retention on such list is subject to certain minimum employed capital and minimum working capital requirements being met from time to time.

For further information, please refer to the section headed “Business — Licences and permits — Public sector projects” in this prospectus.

If we fail to properly manage our liquidity position in view of such working capital requirements and the possible cash flow mismatch associated with undertaking contract works, our cash flows and financial position could be materially and adversely affected.

**The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders**

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, reductions and/or other changes in the scope of the works) placed by our customers from time to time during the course of project execution. As such, there is no assurance that our projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts.

In respect of our projects completed during each of FY2014 and FY2015 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of nil and approximately HK\$4.46 million respectively. In respect of our projects completed during each of FY2014 and FY2015 where the amount of revenue recognised were higher than the original contract sum, such differences amounted to an aggregate of approximately HK\$1.57 million and HK\$9.00 million respectively (whereas our total revenue amounted to approximately HK\$128.30 million for FY2014 and approximately HK\$157.35 million for FY2015).

As at the Latest Practicable Date, we had a total of nine projects on hand (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced), with total amount of revenue expected to be recognised from such projects on hand amounting to approximately HK\$208.20 million for FY2016 and approximately HK\$51.56 million after FY2016. Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from such estimated figures.

**We are subject to credit risk in respect of our trade and other receivables**

Although the majority of our revenue during the Track Record Period was derived from the Government and statutory bodies in Hong Kong, there can be no assurance that our customers (in particular, customers of our private sector projects) will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract

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terms, hold up a certain percentage of each payment made to us as retention money. Such percentage generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum for public sector projects and a ceiling of up to 10% of the total contract sum for private sector projects in general. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period. However, there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly.

As at 30 April 2014 and 2015, we recorded trade receivables of approximately HK\$25.23 million and HK\$25.91 million respectively, of which approximately HK\$3.19 million and HK\$5.83 million respectively have been past due but not impaired. As at 30 April 2014 and 2015, we recorded retention receivables of approximately HK\$8.70 million and HK\$10.04 million respectively. For each of FY2014 and FY2015, our trade receivables turnover days were approximately 58.36 days and 59.32 days respectively.

We had concentration of credit risk as approximately 21% and 57% of our total trade and other receivables as at 30 April 2014 and 2015 respectively were due from our largest customer, and approximately 47% and 65% from our five largest customers. The aggregate amounts of trade and other receivables amounted to approximately HK\$7,837,000 and HK\$20,976,000 from our largest customer, and HK\$17,774,000 and HK\$24,588,000 from our five largest customers, as at 30 April 2014 and 2015 respectively.

Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial positions.

### **Failure to properly supervise site works as a Registered Specialist Contractor may result in prosecution or disciplinary action**

Fraser Construction, our principal operating subsidiary, has completed the registrations as a Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories. For private sector projects, a person is required to appoint a Registered Specialist Contractor to carry out specialized works (such as foundation and site formation works) pursuant to section 9 of the Buildings Ordinance. Some of our customers may appoint Fraser Construction to act as a Registered Specialist Contractor pursuant to the requirement of section 9 of the Buildings Ordinance. The duties of a Registered Specialist Contractors are: (i) to provide continuous supervision to the carrying out of the works; (ii) to notify the Building Authority of any contravention of the regulations that would result from carrying out the works; and (iii) to comply generally with the Buildings Ordinance.

If we are appointed by our customer to act as a Registered Specialist Contractor in a private sector project and we fail to properly supervise the carrying out of the site works pursuant to the requirements of the Buildings Ordinance, we and our Directors may be subject to prosecution or disciplinary action, details of which are set out in the section headed “Regulatory overview — Contractor licensing regime and operation — Regulatory actions under the Buildings Ordinance” in this prospectus. Although we did not experience any such incidents during the Track Record Period, there is no assurance that no such incidents will occur in the future. In such event, our reputation, business operations and financial position may be materially and adversely affected.

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## RISK FACTORS

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### **There is no assurance that we will be able to renew our registrations with the Buildings Department as a Registered Specialist Contractor in the future**

Fraser Construction, our principal operating subsidiary, has registered with the Buildings Department as a Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories as some of our customers may engage us as a Registered Specialist Contractor to undertake slope works and foundation works. In addition, in order for Fraser Construction to remain in the List of Approved Specialist Contractors for Public Works, Fraser Construction must maintain its registration as a Registered Specialist Contractor (see the section “Business — Licences and permits” in this prospectus for further details).

Renewal of the aforementioned registrations with the Buildings Department is required every three years. Pursuant to the Buildings Ordinance, the Building Authority may refuse an application for renewal of registration (a) if it is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) if the applicant fails to provide relevant information and documentary proof required by the Building Authority. According to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, in considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc.

There is no assurance that we will be able to renew such registrations every time in the future. In the event of non-renewal of such registrations, the business and financial positions and prospects of our Group could be materially and adversely affected.

### **Our financial performance is expected to be affected by non-recurring expenses in relation to the Listing**

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$17.03 million, which will be borne as to approximately HK\$9.70 million by us and as to approximately HK\$7.33 million by the Selling Shareholder in proportion to the ratio of the number of New Shares to the number of Sale Shares. Of the amount of approximately HK\$9.70 million to be borne by us, approximately HK\$2.14 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$7.56 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$7.56 million that shall be charged to profit or loss, nil and approximately HK\$4.74 million has been charged for each of FY2014 and FY2015 respectively, and approximately HK\$2.82 million is expected to be incurred for FY2016. Expenses in relation to the Listing are non-recurring in nature. Our Group’s financial performance and results of operations for FY2016 will be affected by the estimated expenses in relation to the Listing.

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**We may experience uncertainty on the commencement date for our public sector projects if there are failures or delays in passing funding for public works proposals by committees of the Legislative Council due to lawmakers' filibustering**

In recent years, filibustering by Hong Kong lawmakers' has in certain cases led to the failure or delay of passing of funding for certain public sector projects proposals by the committees of the Legislative Council. Given that the majority of our revenue during the Track Record Period was derived from public sector projects and the work schedule of our projects impacts on the revenue recognised each year, there is a risk that after being awarded the tender for a public sector project, there may be uncertainty on the commencement date, which may adversely affect our operations and financial position including but not limited to our revenue for specific years, resource allocation and our analysis of the forecasted amount and timing of cash inflows and outflows in relation to our projects.

**Our profit margin may be adversely affected if our contract price is adjusted downwards under the contract price adjustment mechanism specified in some of the public works contracts undertaken by us**

During the Track Record Period, some of our contracts for public sector projects provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to price indices such as those listed in the "Index Numbers of the Costs of Labour and Materials used in Public Sector Construction Projects" published by the Census and Statistics Department of the Government.

When such a contract price adjustment mechanism is included in the contract between us and our customer, we may or may not include a similar mechanism in the contract between us and our subcontractors. In the event that a similar mechanism is not included in the contract between us and our subcontractors, our profit margin may be negatively affected if the contract price to be received by us from our customer is adjusted downward but the subcontracting charges to be paid by us to our subcontractors remain unchanged. Although we only experienced upward adjustment during the Track Record Period, if any downward adjustments in the future is significant but the subcontracting charges to be paid by us to our subcontractors remain unchanged, our profit margin, results of operations and financial position may be materially and adversely affected.

**We have records of non-compliance with certain Hong Kong regulatory requirements**

We have previously been involved in a number of non-compliance matters on various occasions, including non-compliance with certain statutory requirements in the Predecessor Companies Ordinance and the Companies Ordinance, the Inland Revenue Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Employees' Compensation Ordinance. For details, please refer to the section headed "Business — Non-compliance" in this prospectus.

There is no assurance that the relevant authorities would not take any enforcement action against our operating subsidiaries and/or our Directors in relation to the non-compliance matters. Any enforcement action may result in prosecution and/or conviction, which may have an adverse effect on our reputation and financial performance. Violation of laws is also one of the general circumstances that may result in regulatory actions by the Development Bureau of the Government involving

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removal, suspension and downgrading of a contractor's status in respect of the List of Approved Specialist Contractors for Public Works. In addition, if there is any conviction, we may also be subject to penalties, including: (i) for each of the non-compliances with the Predecessor Companies Ordinance and Companies Ordinance, a potential maximum principal fine ranging from HK\$10,000 to HK\$50,000 and a potential maximum daily default fine ranging from HK\$300 to HK\$1,000 (and, in some cases, potential prosecution and liabilities on the part of our Directors); (ii) for the non-compliance with the Inland Revenue Ordinance, a potential maximum penalty of HK\$10,000 for each offence; (iii) for the non-compliance with the Mandatory Provident Fund Schemes Ordinance, a potential maximum penalty of HK\$100,000 and potential prosecution and liabilities on the part of our Directors; and (iv) for the non-compliance with the Employees' Compensation Ordinance, a potential maximum fine of HK\$50,000 for each offence. Therefore, in the event that any such enforcement action is taken, there is no assurance that our business and financial position and prospect (including but not limited to our reputation and our status on the List of Approved Specialist Contractors for Public Works) will not be adversely affected.

**Our business strategies may not be successful or be achieved within the expected time frame or within the estimated budget**

Our key business strategies include further developing our business by undertaking more projects with the use of a portion of the proceeds from the Placing for satisfying the various working capital requirements associated with undertaking contract works, as well as further strengthening our manpower in order to cope with our business development and with our plan to undertake more projects as mentioned above. However, our business strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

**We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business. In particular, there may be potential litigations against us in relation to employees' compensation claims and common law personal injury claims**

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time. Such claims may include in particular employees' compensation claims and common law personal injury claims in relation to personal injuries suffered by workers as a result of accidents arising out of and in the course of employment of the injured workers. During the Track Record Period and up to the Latest Practicable Date, we encountered several incidents of claims or litigation arising out of our operations. Please refer to the section headed "Business — Litigation and claims" of this prospectus for further information.

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During the Track Record Period and up to the Latest Practicable Date, Fraser Construction has settled the following claims, which were fully covered by insurance policies (subject to the relevant policy excess (if any) which were fully recovered from the relevant subcontractor):

	<b>Type of claim</b>	<b>Approximate settlement amount (exclusive of costs)</b>	<b>Date of settlement</b>	<b>Fully covered by insurance and/or recovered from subcontractor</b>
1	Employees' compensation claim	HK\$229,490	30 December 2013	Yes
2	Employees' compensation claim	HK\$179,977	23 September 2014	Yes
3	Common law personal injury claim	HK\$1,150,000 (after deducting the amount of HK\$316,990 settled in April 2013 under the relevant employees' compensation claim)	25 August 2014	Yes
4	Common law personal injury claim	HK\$780,000 (after deducting the amount of HK\$259,638 settled in April 2012 under the relevant employees' compensation claim)	26 February 2014	Yes

As at the Latest Practicable Date, Fraser Construction was the defendant in a common law personal injury claim, in which the plaintiff claimed for a sum of HK\$535,265 (after deduction of the compensation of HK\$229,490 paid under a previously settled employees' compensation claim) plus interests and costs. The conduct of such claim has been taken over by the insurer and the amount to be borne by Fraser Construction is under the coverage of insurance policy and/or fully recoverable from the relevant subcontractor. As such, no provision was made in our financial statements in respect of such claim.

In addition, as at the Latest Practicable Date, there were (i) one employees' compensation claim against our Group which has been settled (where the settlement amount was HK\$179,977) but as the limitation period for personal injury claim (which is generally three years from the date of the relevant incident) has not lapsed, it is still possible for the subject person to commence common law personal injury court proceeding against our Group; and (ii) ten cases arising during usual and ordinary course of our business which were within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents, although no court proceedings have been commenced yet in respect of such cases up to the Latest Practicable Date. No provision was made in our financial statements in respect of such possible claims which have not yet been commenced up to the Latest Practicable Date.

Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which



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could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforesaid claims were successfully made against our Group, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

Due to the nature of our business, we may become involved in claims, legal proceedings and investigations relating to, among other things, contractual disputes with customers or subcontractors, labour disputes, employees' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. Any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business.

**Event such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our projects**

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. Any such events could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs and/or prevent us from completing our projects, any one of which could materially and adversely affect our business, financial condition and results of operations.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

**Personal injuries, property damages or fatal accidents may occur at work sites**

Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. In addition, notwithstanding the on-site supervision on our subcontractors by our own personnel at work sites, there is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to our removal from the List of Approved Specialist Contractors for Public Works and/or the non-renewal of our registrations with the Buildings Department as a Registered Specialist Contractor.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our business operations.

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### **Construction labours may launch industrial actions or strikes to demand for higher wages and/or shorter working hours**

Construction works are usually divided into various different trades. Each trade requires specialized labour of its own and cannot be easily replaced by labour of another trade. Industrial action of any trade may disrupt the operations of our subcontractors and thus the work progress of projects undertaken by us. Although there was no industrial action or strikes on the construction sites of our Group during the Track Record Period, there is no assurance that trade unions will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional subcontracting costs and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being able to meet the time schedule requirements of the contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

### **Any changes in environmental requirements may increase our compliance costs**

Our 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 air pollution control, noise control, water pollution control and waste disposal. Such regulations may be revised by the Government from time to time. For each of FY2014 and FY2015, we incurred approximately HK\$0.27 million and HK\$0.49 million respectively in relation to the compliance with applicable environmental requirements. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

### **Construction works could be affected by adverse weather conditions and are subject to other construction risks**

Most of our Group's projects are undertaken outdoor and therefore, the operations of our Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms and tropical cyclones, which may cause difficulties to our Group in completing our projects on schedule. In addition, we are subject to other construction risks such as fire and suspension of water and electricity supplies, which may also affect our work progress. Adverse weather conditions and other construction risks may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

### **Works contracts with the Government are subject to termination for convenience by the Government**

It is a standard special condition contained in the work contracts between the Government and a contractor that the Government is entitled to terminate a work contract at any time by notice in writing to the contractor without cause (the "right to terminate for convenience") and such termination shall take effect on a date specified in the notice but without prejudice to the claims of

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either party in respect of any antecedent breach thereof. According to the guidance of a technical circular issued by the Environment, Transport and Works Bureau of the Government dated 21 July 2004, it is a policy of the Government that the right to terminate for convenience shall only be exercised in very exceptional and justified circumstances. Although we did not experience such termination during the Track Record Period, there is no assurance that the Government will not exercise such right to terminate for convenience in the future. In the event that the Government exercises such right to terminate for convenience a works contract undertaken by our Group, our Group's work plan and financial position may be adversely affected.

**There is no assurance that competition in the industry will not increase in the future**

We mainly compete with approved specialist contractors who are 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" and "Land Piling (Group II)" for public sector projects. The admission and retention with respect to the List of Approved Specialist Contractors for Public Works are subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook — Revision B published by the Development Bureau of the Government. Firms meeting such criteria may enter the market and compete for Government contracts. There is no assurance that competition in the industry will not increase in the future. Increased competition may result in an adverse impact on our business and financial positions and prospects.

**Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time**

We have taken out insurance policies in line with industry practice or required by our customers to cover our business operations. However, certain types of risks, such as liabilities arising from acts of God or other natural disasters and risks in relation to the collectability of our trade receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

Even if we have taken out insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our current policies.

We also cannot guarantee that our insurance premiums will not rise or we will not be required by law or our customers to obtain additional insurance coverage. Any significant increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage in the future may materially and adversely affect our business operations and financial results.

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## RISK FACTORS

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### RISKS RELATING TO HONG KONG

#### **The general social and economic conditions in Hong Kong may affect our business and financial positions**

Our performance and financial position is heavily dependent on the state of economy in Hong Kong as our operations are based in and we derive our revenue solely in Hong Kong during the Track Record Period. Furthermore, we have no current plans to expand into foreign markets. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

#### **The state of social and political environment in Hong Kong may affect our business and financial positions**

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our operations are solely located in Hong Kong, any change of such political arrangements or major change to the social landscape may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

### RISKS RELATING TO THE PLACING

#### **There has been no prior public market for the Share and the liquidity, market price and trading volume of the Share may be volatile**

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Placing. Factors such as variations in our Group’s revenues, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, the general market sentiment regarding the construction industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Placing Price or at all.

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## **RISK FACTORS**

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### **Investors may experience dilution if we issue additional Shares in the future**

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

### **Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

### **Termination of the Underwriting Agreement**

Prospective investors should note that the Lead Manager (for itself and on behalf of the other Underwriter) is entitled to terminate its obligations under the Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

### **Investors may experience difficulties in enforcing their shareholders’ rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As

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## **RISK FACTORS**

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a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed “3. Cayman Islands Company Law” in Appendix III to this prospectus.

### **Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares**

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

### **Granting options under the Share Option Scheme may affect our Group’s result of operation and dilute Shareholders’ percentage of ownership**

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect our Group’s results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

## **RISKS RELATING TO THIS PROSPECTUS**

### **Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon**

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Placing have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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## RISK FACTORS

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### **Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements**

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

### **Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Placing including, in particular, any financial projections, valuations or other forward-looking statement**

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Placing that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Selling Shareholder, the Sponsor, the Lead Manager and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Placing has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Placing Shares. You should rely only on the information contained in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading. In addition, all opinions expressed in this prospectus have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

### **FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Placing and the listing of the Shares on GEM, which is sponsored by Messis Capital Limited and is managed by the Lead Manager. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the placing and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES**

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her acquisition of Placing Shares to confirm, that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Placing Shares should inform themselves as to the relevant legal requirements of applying for the Placing Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

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or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Lead Manager, the Underwriters, or any of their respective directors or any other persons involved in the Placing. It is expected that, pursuant to the Placing, the Underwriters will conditionally place the Placing Shares on behalf of our Company and the Selling Shareholder with investors.

### **STRUCTURE AND CONDITIONS OF THE PLACING**

The structure and conditions of the Placing is set forth in the section headed “Structure and conditions of the Placing” in this prospectus.

### **APPLICATION FOR LISTING ON GEM**

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

A total of 360,000,000 Shares representing 25% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Placing.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 360,000,000 Placing Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Placing and the Capitalisation Issue and upon Listing.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

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of our Company, the Selling Shareholder, our Directors, the Sponsor, the Lead Manager, the Bookrunner, the Underwriters, or their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

### **SHARE REGISTRAR, REGISTRATION AND STAMP DUTY**

All the Placing Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong by the Hong Kong Branch Share Registrar. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained on the Cayman Islands will not be subject to the Cayman Islands stamp duty.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 2 November 2015. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8366. We will not issue temporary documents of title.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

US\$1.00: HK\$7.80

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates or at all.

### ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬))	Flat G, 26/F, Block 13 South Horizons Ap Lei Chau Hong Kong	Chinese
Ms. WONG So Wah (黃素華)	Flat G, 26/F, Block 13 South Horizons Ap Lei Chau Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. CHEUNG Kin Keung Martin (張建強)	Flat G, 4/F, Block 6 Lily Mansions 8 Tak Fung Street Site 9, Whampoa Garden Hunghom, Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. LAW Yiu Sing (羅耀昇)	Flat C, 6th Floor Marlborough House 154 Tai Hang Road Tai Hang Hong Kong	Canadian
Mr. WONG Kwok Chuen (黃國全)	Flat A, 9/F, Stage 6 25 Nassau Street Mei Foo Sun Chuen Kowloon Hong Kong	Chinese
Mr. WONG Law Fai (黃羅輝)	Flat C, 18/F, Block E Staff Quarters Prince of Wales Hospital 30-32 Ngan Shing Street Sha Tin, New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section “Directors and senior management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### PARTIES INVOLVED

#### **Sponsor**

#### **Messis Capital Limited**

*A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO*

Room 1606, 16th Floor, Tower 2  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

#### **Bookrunner and Lead Manager**

#### **Quam Securities Company Limited**

*A licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*

18th and 19th Floors  
China Building  
29 Queen's Road Central  
Hong Kong

#### **Co-lead Manager**

#### **Supreme China Securities Limited**

*A licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO*

Room E, 17th Floor  
Hang Seng Tsuen Wan Building  
289 Sha Tsui Road  
Tsuen Wan  
Hong Kong

#### **Legal advisers to our Company**

*As to Hong Kong law*

#### **Loong & Yeung**

*Solicitors, Hong Kong*  
Suites 2001-2006, 20th Floor  
Jardine House  
1 Connaught Place  
Central, Hong Kong

*As to Cayman Islands law*

#### **Appleby**

*Cayman Islands attorneys-at-law*  
2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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<b>Legal advisers to the Sponsor, Bookrunner, the Lead Manager and the Underwriters</b>	<i>As to Hong Kong law</i> <b>Peter C. Wong, Chow &amp; Chow</b> in association with Guantao Law Firm (Hong Kong) <i>Solicitors, Hong Kong</i> 1604-06, 16/F ICBC Tower 3 Garden Road Central Hong Kong
<b>Reporting accountants</b>	<b>Grant Thornton Hong Kong Limited</b> <i>Certified Public Accountants</i> Level 12 28 Hennessy Road Wanchai Hong Kong
<b>Internal control consultant</b>	<b>CT Partners Consultants Limited</b> Unit 1601A, 16th Floor, Tower 6 China Hong Kong City 33 Canton Road Tsimshatsui, Kowloon Hong Kong
<b>Compliance adviser</b>	<b>Messis Capital Limited</b> <i>A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO</i> Room 1606, 16th Floor, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Room 1122 Pacific Link Tower, South Mark 11 Yip Hing Street Wong Chuk Hang Hong Kong
<b>Company secretary</b>	YIU Chun Wing <i>Certified Public Accountant</i> Flat C, 19/F Nice Garden No. 513 Queen's Road West Hong Kong
<b>Compliance officer</b>	WONG So Wah
<b>Authorised representatives</b>	YU Shek Man Ringo Flat G, 26/F, Block 13 South Horizons Ap Lei Chau Hong Kong  WONG So Wah Flat G, 26/F, Block 13 South Horizons Ap Lei Chau Hong Kong
<b>Members of Audit Committee</b>	LAW Yiu Sing ( <i>Chairman</i> ) WONG Kwok Chuen WONG Law Fai
<b>Members of Remuneration Committee</b>	WONG Law Fai ( <i>Chairman</i> ) YU Shek Man Ringo WONG Kwok Chuen
<b>Members of Nomination Committee</b>	WONG Kwok Chuen ( <i>Chairman</i> ) LAW Yiu Sing WONG Law Fai

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## CORPORATE INFORMATION

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<b>Members of Legal Compliance Committee</b>	LAW Yiu Sing ( <i>Chairman</i> ) WONG Kwok Chuen WONG Law Fai WONG So Wah YIU Chun Wing
<b>Cayman Islands principal share registrar and transfer office</b>	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker</b>	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong
<b>Company's website</b>	<a href="http://www.fraserholdings.com">www.fraserholdings.com</a> <i>(information contained in this website do not form part of this prospectus)</i>



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## INDUSTRY OVERVIEW

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*This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Selling Shareholder, the Sponsor, the Lead Manager, the Bookrunner, the Underwriters, our or their respective directors and officers or any other parties involved in the Placing. No representation is given as to the accuracy or completeness of such information and statistics. Our Directors confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.*

### SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the construction industry in Hong Kong and the slope works industry in Hong Kong. A total fee of HK\$338,000 was paid to Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market share and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the slope works industry in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including slope works service providers and industry experts and associations in Hong Kong, etc.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology guarantees a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy.

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

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## INDUSTRY OVERVIEW

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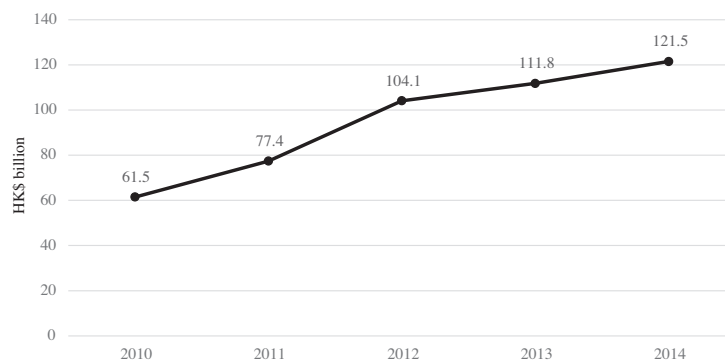
Ipsos developed its estimates or forecasts on the following bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction industry in Hong Kong during the forecast period.

### CONSTRUCTION INDUSTRY OVERVIEW

#### Value of construction works

The total gross output value of construction works performed by main contractors at construction sites in Hong Kong increased from approximately HK\$61.5 billion in 2010 to approximately HK\$121.5 billion in 2014, representing a CAGR of approximately 18.6%:

**Total gross output value of construction works performed by main contractors at construction sites in Hong Kong**



Source: The Ipsos Report

Construction projects in Hong Kong can be generally categorised into public sector projects and private sector projects. Public sector projects refer to projects where the works contracts originate from the Government or statutory bodies, while private sector projects refer to projects that are not public sector projects. The total gross output value of public sector projects in Hong Kong increased significantly from approximately HK\$31.2 billion in 2010 to approximately HK\$67.9 billion in 2014, representing a CARG of approximately 21.5%, which was mainly due to heavy investment by the Government on certain major infrastructure projects and the Public Housing Development Program. On the other hand, the total gross output value of private sector projects in Hong Kong increased from approximately HK\$30.3 billion in 2010 to approximately HK\$53.6 billion in 2014, representing a CARG of approximately 15.3%, which was mainly due to Government's initiatives involving private sector participation to help with the economic recovery during the period.

#### Major trends

According to the Ipsos Report, the following are some of the major trends for the construction industry in Hong Kong:

- **Outsourcing to subcontractors:** Outsourcing works from main contractors has been common practice within the construction industry in Hong Kong, primarily because it is more cost-effective for subcontractors to manage focused sections of the project. In

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## INDUSTRY OVERVIEW

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addition, main contractors can focus on project management, logistical arrangements, and reserve higher control over their resources such as skilled labor and machinery. Therefore, there is a tendency for main contractors to outsource their works in the construction industry in Hong Kong.

- ***Rising operating costs:*** The operating costs for construction works is anticipated to increase in the short-run mainly due to the labour shortage in the construction industry in Hong Kong. Please refer to the paragraph headed “Potential challenges — Labour shortage” in this section for further information.
- ***Increasing cross-border projects:*** The Government has invested in cross-border infrastructure projects such as the Shenzhen-Hong Kong Western Corridor, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link to develop cross-border fluidity and stronger economic ties between Hong Kong and Guangzhou Province. The two major cross-border projects and anticipated border-region developments are expected to promote growth in the construction industry.

### SLOPE WORKS INDUSTRY

#### Landslip Prevention and Mitigation Programme

With the significant economic growth in Hong Kong since 1950s, there have been extensive civil engineering and building works in both the public and the private sectors. In particular, during the 1960s and early 1970s, a large stock of potentially substandard man-made slopes were created along with the rapid development of Hong Kong, resulting in some severe and fatal landslides incidents in Hong Kong in the past. According to the website of the CEDD, since 1984 when it started to collect comprehensive landslide and rainfall data, there were a total of 13 fatal landslides in Hong Kong, with the most recent one being in 2008 at the Cafeteria Old Beach which resulted in two fatalities and the most serious one being in 1994 at Kwun Lung Lau which resulted in five fatalities and three injuries.

According to the 2014 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of the CEDD, there were 251 landslides reported in Hong Kong in 2014, resulting in a total of 251 facilities affected including but not limited to roads, pedestrian pavements, footpaths, buildings, catchwaters, carparks, playgrounds.

According to the website of the CEDD, due to the close proximity of steeply sloping terrain to buildings and infrastructure in Hong Kong coupled with seasonal torrential rainfall which brings the risk of casualties due to landslides, the Geotechnical Engineering Office (known as Geotechnical Control Office before 1991) of the CEDD has been conducting studies and works to reduce landslide risk in Hong Kong since 1977. Since 1977 and until 2010, the relevant works were undertaken under a “Landslip Preventive Measures Programme” which mainly focused on substandard man-made slopes that posed the greatest landslide risk in Hong Kong. Given more than 30 years of efforts, the landslide risk arising from man-made slopes has been reduced considerably. However, the landslide risk arising from natural hillside is rising due to the encroachment of more urban development or redevelopment on steep hillsides and is now comparable with the risk associated with man-made slopes. As such, in 2010, the Landslip Prevention and Mitigation Programme was launched to dovetail with the original Landslip Preventive Measures Programme to control the landslide risk in Hong Kong.

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## INDUSTRY OVERVIEW

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The Landslip Prevention and Mitigation Programme is a rolling programme launched by the Geotechnical Engineering Office of the CEDD in 2010 to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. Under the Landslip Prevention and Mitigation Programme, the most deserving man-made slopes and natural hillside catchments are selected for studies each year in accordance with a risk based priority ranking system. The necessary landslip prevention and mitigation works, as identified by the studies, for man-made slopes and natural hillside catchments under the Government's maintenance responsibility are implemented under the Landslip Prevention and Mitigation Programme. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure its rectification.

According to the Government statement upon the launch of the Landslip Prevention and Mitigation Programme, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments per year. The Government stated that it is determined to continue its rigorous efforts to minimize the risk of landslips in Hong Kong to ensure public safety.

According to the information available on the CEDD's website, the Geotechnical Engineering Office let an average of about 13 works contracts on landslip prevention and mitigation each year (with multiple slopes or sites under each works contract). Since 1977, it has spent about HK\$18.9 billion (up to 31 March 2015) on landslip prevention and mitigation studies and works, with about 5,305 Government man-made slopes upgraded, about 5,580 studies of private man-made slopes completed, and mitigation measures for 121 natural hillside catchments implemented.

There are currently about 60,000 sizable man-made slopes in Hong Kong according to the 2014 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of the CEDD. About two-thirds of these slopes are Government slopes while the rest are private slopes. In addition, according to the Government's website, although the Geotechnical Engineering Office has no statistics on the total number of natural slopes, about 60% of the area in Hong Kong are natural hillsides and the Geotechnical Engineering Office has identified 2,700 or so natural hillsides with known hazards. In 2014, there were 154 Government man-made slopes upgraded under the Landslip Prevention and Mitigation Programme, whereas landslide risk mitigation works for 33 natural hillside catchments were implemented.

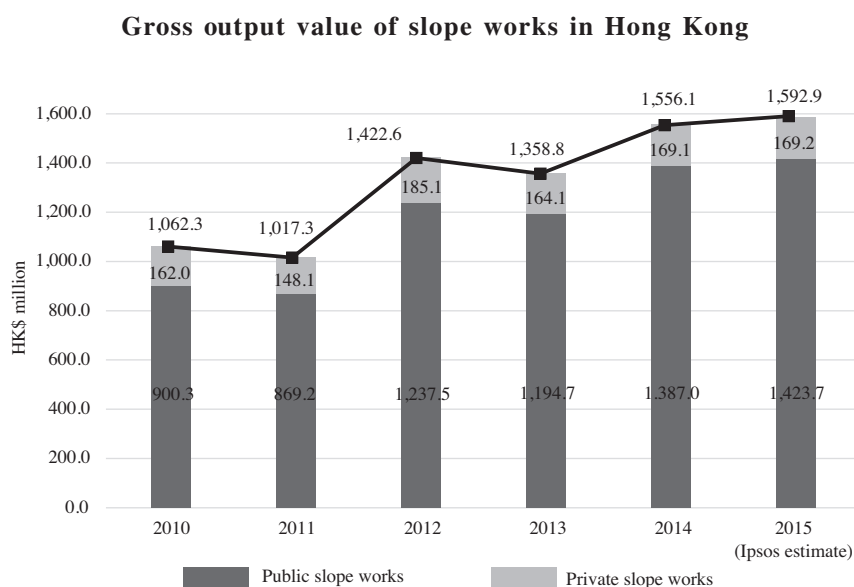
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## INDUSTRY OVERVIEW

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### Gross output value of slope works

According to the Ipsos Report, the gross output value of slope works in Hong Kong grew from approximately HK\$1,062.3 million in 2010 to approximately HK\$1,556.1 million in 2014, representing a CAGR of approximately 10.0%:



Source: The Ipsos Report

According to the Ipsos Report, the growth in the gross output value of slope works in Hong Kong from 2010 to 2014 was mainly driven by the Landslip Prevention and Mitigation Programme.

### INDUSTRY DRIVERS

According to the Ipsos Report, the slope works industry in Hong Kong is expected to benefit from the following industry drivers:

#### 1. Landslip Prevention and Mitigation Programme

Due to the rolling nature of the Landslip Prevention and Mitigation Programme (see the paragraph headed “Slope works industry — Landslip Prevention and Mitigation Programme” in this section), it is expected that the Landslip Prevention and Mitigation Programme will continue to serve as one of the main drivers for the slope works industry in Hong Kong. The Ipsos Report states that it is expected that there will be constant demand for slope works in Hong Kong due to the continuous efforts by the Government in this regard to ensure public safety.

#### 2. Demand for slope stabilization and reinforcement at new residential building sites

To address the increasing demand for residential properties and the overheated property market in Hong Kong, the Government has implemented various measures to increase the supply of land for public housing and private residences. According to the 2015 Policy Address, there are various medium and long-term land planning and development undertaken or proposed to be undertaken by the

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## INDUSTRY OVERVIEW

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Government, including those in relation to the Kwu Tung North New Development Area, the Fanling North New Development Area, the Hung Shui Kiu New Development Area, the Tung Chung New Town Extension, the continued review of agricultural lands located in North District and Yuen Long, etc. Development of new areas for housing or other developments is expected to increase the number of new man-made slopes, resulting in an expected increase in the demand for slope works in Hong Kong.

### 3. Slope works for large scale infrastructure projects

Since the announcement of the “Ten Major Infrastructure Projects” in the 2007 Policy Address, large scale infrastructure projects such as the extension of MTR lines, new roadways, and the development of new areas have supported the growth of the construction industry. The “Ten Major Infrastructure Projects” include South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line. The development of some of these projects requires slope works, such as developing earth reinforced retaining walls and cutting back or improving slopes for road works, railways, and hill-side building developments. In recent years, the Government’s infrastructure investment has been maintained at high levels, with several construction and transportation projects being carried forward in parallel. The continued investments in large scale infrastructure projects by the Government is expected to drive the future demand for slope works in Hong Kong.

## COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

According to the Ipsos Report, the top five slope works contractors (in terms of market share in the slope works industry in Hong Kong in 2014) and their respective backgrounds are as follows:

Ranking	Contractor	Approximate market share
1	A contractor headquartered in Hong Kong which mainly undertakes site formation works, slope works, ground investigative works, etc.	19.3%
2	A contractor headquartered in Beijing which mainly undertakes waterworks, road works, slope works, site formation works, etc.	10.7%
3	Fraser Construction, our principal operating subsidiary	9.2%
4	A contractor headquartered in Hong Kong which mainly undertakes waterworks, road works, slope works, site formation works, etc.	7.7%
5	A contractor headquartered in Hong Kong which mainly undertakes slope works	5.3%
		<u>52.2%</u>

Notes:

- (1) The revenue of Fraser Construction is calculated by reference to the revenue from slope works for the financial year ended 30 April 2015. The revenue for other contractors and the industry as a whole in the Ipsos Report is by reference to the year ended 31 December 2014.

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## INDUSTRY OVERVIEW

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- (2) The revenue for the slope works industry in Hong Kong in the Ipsos Report includes both public sector projects and private sector projects.

The top five slope works contractors in Hong Kong together accounted for approximately 52.2% of the total revenue of the slope works industry in Hong Kong in 2014. Fraser Construction, our principal operating subsidiary, was the third largest slope works contractor in Hong Kong in 2014, with approximately 9.2% of the total revenue of the slope works industry in Hong Kong in 2014. Our Directors believe that we compete favourably with our competitors given our various competitive strengths as detailed in the section headed “Business — Competitive strengths” of this prospectus.

The key barriers for new entrants to enter the slope works industry in Hong Kong, and in particular to tender for public sector projects, primarily include:

### 1. *Admission to the List of Approved Specialist Contractors for Public Works*

Fraser Construction, 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 category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status. Being on such list is a prerequisite for tendering for public works contracts in the slope works categories. The admission and retention as well as the confirmed or probationary status with respect to the List of Approved Specialist Contractors for Public Works are currently subject to certain financial, technical and management criteria. For further details, please refer to the section headed “Business — Licences and permits — Public sector projects” in this prospectus.

According to the information available on the website of the Development Bureau of the Government as at the Latest Practicable Date, there are a total of 35 approved contractors included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls”, of which 13 were on probation and only 22 (including Fraser Construction) had a confirmed status.

### 2. *Capital requirements*

The admission and retention on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” are subject to certain financial criteria, which primarily include (i) having a minimum employed capital of HK\$8,600,000; and (ii) having a minimum working capital of either (a) HK\$8,600,000 if no outstanding contracts or (b) the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. Please refer to the section “Business — Licences and Permits — Public sector projects” in this prospectus for further details. Such substantial amount of financial capital requirements present barrier for contractors to become eligible to tender for public sector slope works.

### 3. *Track record and expertise*

According to the Ipsos Report, possessing in-house personnel with construction project management experience and slope works expertise is a key competitive factor for construction companies seeking to enter the slope works industry. In particular, a credible track record for on-time project delivery, and completion of works within allocated budgets is a strong indicator of sound

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## INDUSTRY OVERVIEW

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project management capability of the contractor to carry out slope works. The lack of capable and experienced in-house personnel with slope works project management experience will be barrier for new entrants to winning slope works contracts. New entrants with little work experience in slope works would face higher obstacles in being awarded contracts from clients due to the lack of a solid track record.

### POTENTIAL CHALLENGES

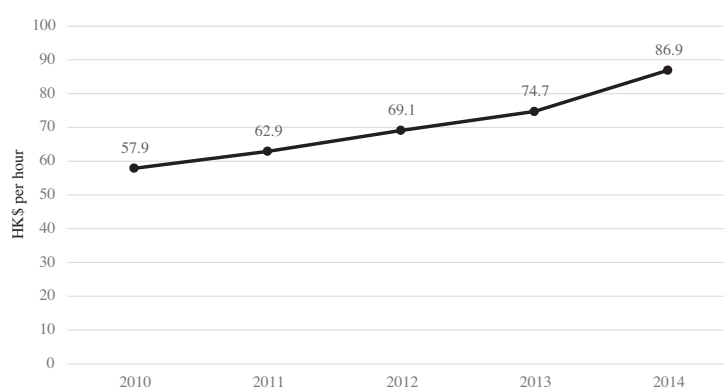
#### Labour shortage

Subcontracting charges are the most significant cost item in our direct costs during the Track Record Period. Our Directors consider that subcontracting charges are directly affected by labour costs as slope works are labour-intensive in nature and subcontractors generally provide the direct labours required for the performance of the site works in our typical subcontracting arrangements.

According to the Ipsos Report, the construction industry in Hong Kong, including the slope works industry, is suffering from labor shortage due to the shortage of experienced and skillful labours as a result of a declining number of young people entering the industry whereby skilled workers are approaching the age of retirement, coupled with the growing demand for construction workers as a result of the general increase in the amount of construction works.

In Hong Kong, as of May 2014, only about 20.8% of the registered laborers were active in the construction industry, coupled with an ageing workforce whereby approximately 40% of the registered workers in 2014 were above the age of 50. The Ipsos Report also states that most construction contractors in Hong Kong have to start paying higher starting salaries and generous remuneration packages to attract young people to join the construction industry and to retain experienced workers to avoid the outflow to the Macau and the PRC markets. The graph below shows the average hourly wage of construction workers in Hong Kong from 2010 to 2014:

**Average hourly wage of construction workers in Hong Kong**



Source: The Ipsos Report

The average hourly wage of construction workers in Hong Kong increased from approximately HK\$57.9 in 2010 to approximately HK\$86.9 in 2014, representing a CAGR of approximately 10.7%. The Ipsos Report states that as a result of labor shortage as well as high industry demand and as an incentive to attract and keep experienced workers in the industry, average hourly wages of construction workers are expected to further increase in the next five years.



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## INDUSTRY OVERVIEW

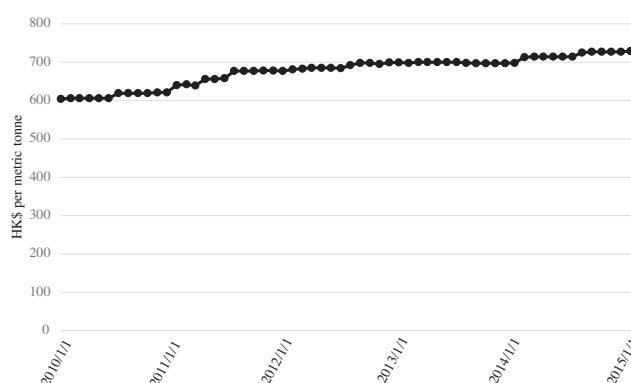
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### Fluctuating cost of materials and consumables

Various different construction materials and consumables are required for the performance of slope works, including in particular high-tensile steels, structural steel and cement. Under our typical subcontracting arrangements, the costs of purchasing construction materials and consumables are normally borne by our subcontractors but in a limited number of cases, such purchase costs may be borne by us. Therefore, any material fluctuations in the costs of construction materials and consumables may affect our subcontracting charges and our direct costs.

According to the Ipsos Report, the average wholesale price of cement in Hong Kong increased from approximately HK\$613 per metric tonne in 2010 to approximately HK\$720 per metric tonne in 2014, representing a CAGR of approximately 4.1%:

**Average wholesale price of cement in Hong Kong**



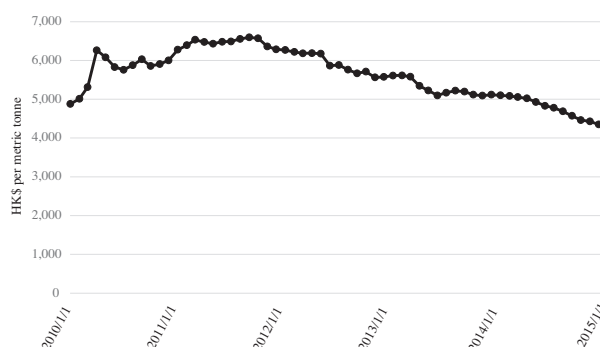
Source: The Ipsos Report

According to the Ipsos Report, the whole price of cement in Hong Kong has been affected by measures implemented in different countries to restrict over-supply of cement, as well as the slow recovery of the global economy since the global financial crisis in 2008. The Ipsos Report states that the average wholesale price of cement in Hong Kong is expected to continue to grow due to, among other factors, the demand for construction works in Hong Kong, Macau and the PRC.

## INDUSTRY OVERVIEW

According to the Ipsos Report, the average wholesale price of steel reinforcements (high-tensile steel bars, 10mm to 40mm) in Hong Kong decreased from approximately HK\$5,734 per metric tonne in 2010 to approximately HK\$4,775 per metric tonne in 2014, representing a CAGR of approximately -4.5%:

### Average wholesale price of steel reinforcements (high tensile steel bars) in Hong Kong

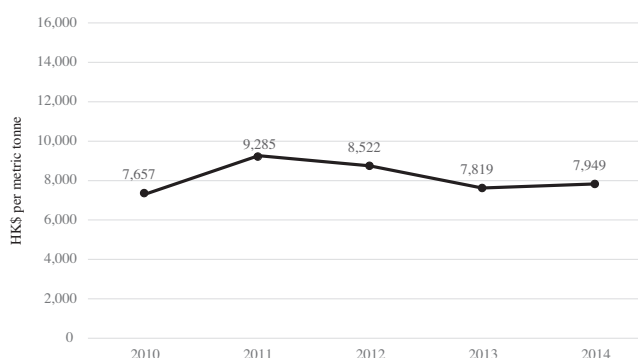


Source: The Ipsos Report

According to the Ipsos Report, the average wholesale price of steel reinforcements increased in general from 2010 to 2011 mainly due to the strong demand for infrastructure and building construction works in Hong Kong. However, from 2012 to 2014, there has been a general downward trend of the wholesale price of steel reinforcements in Hong Kong, which was caused by, among other factors, the declining international price of iron ore and coking coal for steel production, the global drop in demand for new construction works as a result of the Eurozone debt crisis and the global oversupply of steel.

According to the Ipsos Report, the average wholesale price of imported structural steel in Hong Kong increased from approximately HK\$7,657 per metric tonne in 2010 to approximately HK\$7,949 per metric tonne in 2014, representing a CAGR of approximately 0.9%:

### Average wholesale price of imported structural steel in Hong Kong



Source: The Ipsos Report

According to the Ipsos Report, the average wholesale price of imported structural steel in Hong Kong increased from 2010 to 2011 in general mainly as a result of the increased costs of raw materials for steel production, including iron ores and coking coal. However, after 2011, the average wholesale price of imported structural steel in Hong Kong demonstrated a general downward trend, mainly due to the decline in the international price of iron ore and the global oversupply of steel.

Any material fluctuations in the prices of construction materials and consumables required by us may lead to fluctuation in our costs and thus in the profit margin of our Group.

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## REGULATORY OVERVIEW

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This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

### LABOUR, HEALTH AND SAFETY

**Factories and Industrial Undertakings Ordinance** (Chapter 59 of the Laws of Hong Kong) (the “Factories and Industrial Undertakings Ordinance”)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

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## REGULATORY OVERVIEW

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**Occupational Safety and Health Ordinance** (Chapter 509 of the Laws of Hong Kong) (the “Occupational Safety and Health Ordinance”)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

**Employees’ Compensation Ordinance** (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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## REGULATORY OVERVIEW

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According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

According to section 24 of the Employees' Compensation Ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee independently of this section. The employees in question are required to serve a notice in writing on the main contractor before making any claim or application against such main contractor.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). According to section 40(1B), where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years and on a summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

### **Employment Ordinance** (Chapter 57 of the Laws of Hong Kong) (the "Employment Ordinance")

A main contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and/or every superior subcontractor jointly and severally. A main contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the main contractor.

Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior sub-contractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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## REGULATORY OVERVIEW

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Pursuant to section 43F of the Employment Ordinance, if a main contractor or superior sub-contractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior sub-contractor, as the case may be. The main contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the main contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

### **Occupiers Liability Ordinance** (Chapter 314 of the Laws of Hong Kong) (the "Occupiers Liability Ordinance")

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Immigration Ordinance** (Chapter 115 of the Laws of Hong Kong) (the "Immigration Ordinance")

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

### **Minimum Wage Ordinance** (Chapter 608 of the Laws of Hong Kong) (the "Minimum Wage Ordinance")

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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## REGULATORY OVERVIEW

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### ENVIRONMENTAL PROTECTION

**Air Pollution Control Ordinance** (Chapter 311 of the Laws of Hong Kong) (the “Air Pollution Control Ordinance”)

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including but not limited to the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

**Noise Control Ordinance** (Chapter 400 of the Laws of Hong Kong) (the “Noise Control Ordinance”)

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, construction works at place within a designated area specified in this Ordinance and the use of powered mechanical equipment for the purpose of carrying out any construction work other than percussive piling at any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions e.g. hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Any person who carries out any construction work except as permitted is liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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**Water Pollution Control Ordinance** (Chapter 358 of the Laws of Hong Kong) (the “Water Pollution Control Ordinance”)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection Department.

All discharges, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be covered by a licence pursuant to the Water Pollution Control Ordinance. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

**Waste Disposal Ordinance** (Chapter 354 of the Laws of Hong Kong) (the “Waste Disposal Ordinance”)

The Waste Disposal Ordinance controls the production, storage, collection and disposal including treatment, reprocessing and recycling of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including but not limited to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) (the “Waste Disposal (Charges for Disposal of Construction Waste) Regulation”) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the “Waste Disposal (Chemical Waste) (General) Regulation”).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.



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## REGULATORY OVERVIEW

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Under the Waste Disposal (Chemical Waste) (General) Regulation, a person produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who uses, or permits to be used, any land or premises for the disposal without such a licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

### **Dumping at Sea Ordinance** (Chapter 466 of the Laws of Hong Kong) (the “Dumping at Sea Ordinance”)

Under the Dumping at Sea Ordinance, any waste producer involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

### **Environmental Impact Assessment Ordinance** (Chapter 499 of the Laws of Hong Kong) (the “Environmental Impact Assessment Ordinance”)

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system by the persons who is planning such designated project prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of

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## **REGULATORY OVERVIEW**

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HK\$2,000,000 and to imprisonment for six months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for six months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

### **CONTRACTOR LICENSING REGIME AND OPERATION**

#### **Private sector slope works, foundation works and other general building works projects in Hong Kong**

Private sector slope works, foundation works and other general building works are projects launched by private developers as well as any other entities not being Government departments and statutory bodies.

Pursuant to section 9 of the Buildings Ordinance, a contractor who carries out private sector slope works, foundation works and other general building works is required to register with the Building Authority as a Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories, or appoint a Registered Specialist Contractor under the relevant categories to carry out the specialised works for him.

A Registered Specialist Contractor appointed to carry out specialised works is required to, among others, provide continuous supervision to the carrying out of the works in accordance with his supervision plan and to notify the Buildings Authority of any contravention of the regulations that would result from carrying out the works shown in the plan approved by the Building Authority for the works, in accordance with section 9 of the Buildings Ordinance.

The requirements mentioned above are the basic requirements for undertaking private sector slope works, foundation works and other general building works projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

#### **Registered General Building Contractor and Registered Specialist Contractor**

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as “foundation works” or “site formation works”) specified in the category in the sub-register in which they are entered. Registered General Building Contractors may carry out general building works and street works which do not include any specialised works designated for Registered Specialist Contractors.

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Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a Registered General Building Contractor or Registered Specialist Contractor must satisfy the Building Authority on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

An applicant for registration as a Registered Specialist Contractor must satisfy the Building Authority that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘Authorised Signatory’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
  - i. have access to plant and resources;
  - ii. provide technical and financial support for the execution of building works and street works; and
  - iii. make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

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## REGULATORY OVERVIEW

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In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

A suitable person appointed by the board of directors is eligible to act as the Authorised Signatory, whereas the Technical Director must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of Technical Director.

The registered contractor is required to suspend all the building works and street works immediately if there is no Authorised Signatory appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, all works should be ceased if there is no Technical Director acting for the contractor and an acceptable replacement is not appointed within a reasonable period of time. Before the Authorised Signatory/Technical Director/“Other Officer” ceases to act for the contractor, apart from giving the Building Authority an advanced notice, the contractor/Authorised Signatory/Technical Director/“Other Officer” should liaise with the authorised person, registered structural engineer or registered geotechnical engineer selected by the Building Authority with a view to providing necessary measures to ensure the safety and hygiene condition of the site during the period of suspension of works.

Under Section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. The application should comprise:

- (a) a duly completed specified form;
- (b) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the Authorised Signatory(ies), the Technical Director(s) and the other officer(s) in the following aspects:
  - (i) conviction/ disciplinary action under the Buildings Ordinance;
  - (ii) conviction on labour safety offences under the ordinances and regulations administered by the Commissioner for Labour, such as Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong);
  - (iii) suspension from tendering by the Environment, Transport and Works Bureau (“ETWB”), the Housing Authority or their related departments. The reasons of the suspension should also be provided;
  - (iv) conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities; and

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## REGULATORY OVERVIEW

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- (v) conviction under section 27(3) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) concerning the control of water likely to contain larvae or pupae of mosquitoes administered by the Director of Food and Environmental Hygiene;
- (c) a job reference on a minimum of one relevant building project;
- (d) certain documents relating to business registration;
- (e) the prescribed fee in accordance with Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong).

If the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority. In general, an application for renewal of registration would not be referred to the Contractors Registration Committee, an independent committee appointed by the Building Authority under section 8 of the Buildings Ordinance, for interview and assessment, except in the following circumstances:

- (A) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or
- (B) there have been new incidents or circumstances that require further consideration on the suitability of the contractor's registration. New incidents or circumstances include, but not limited to, the contractor's records in respect of the declarations in Buildings Department standard forms referred to in paragraph (b) above and subject to the following approach adopted by the Building Authority in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Development Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
  - i. non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. Generally speaking, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;
  - ii. a contractor who has been convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb) is required to attend an interview;
  - iii. a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;
  - iv. a contractor who has been convicted of 4 or more offences under section 27(3) of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) committed on the same site within a rolling 3 months is required to attend an interview;

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- v. a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and
- vi. for a contractor who has been suspended from tendering by the Development Bureau, the Housing Authority or their related departments, the Building Authority will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical competence and management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

### *Regulatory actions under the Buildings Ordinance*

Under sections 7, 13 and 40 of the Buildings Ordinance, Registered General Building Contractor, Registered Specialist Contractor, and authorised person, will be subject to prosecution or disciplinary action where an offence is committed or when matters justifying the taking of disciplinary action arise.

#### *Disciplinary proceedings*

Pursuant to sections 7 and 13 of the Buildings Ordinance, the matters justifying the taking of disciplinary action include, amongst others, being convicted by any court of an offence related to carrying out his professional duties, being negligent or having misconducted himself in a professional way, having permitted a material deviation from a supervision plan for which he is responsible without reasonable cause and having drawn up a supervision plan that does not comply with the material requirements of the Buildings Ordinance, etc.

The disciplinary board may, amongst others, order that the name of such person or the name of the director, officer or person (in the case of the Registered General Building Contractor or Registered Specialist Contractor) be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; or order such person or the director, officer or person (in the case of the Registered General Building Contractor or Registered Specialist Contractor) be fined.

#### *Prosecution*

In addition to disciplinary proceedings, Registered General Building Contractor, Registered Specialist Contractor, and authorised person, pursuant to section 40 of the Buildings Ordinance, will be subject to prosecution where an offence is committed. Set out below are some of the offences under section 40 of the Buildings Ordinance:-

Pursuant to section 40(2A) of the Buildings Ordinance, Registered General Building Contractor, Registered Specialist Contractor, and authorised person directly concerned with any prescribed inspection or building works or street works shall not:

- (a) permit or authorize to be incorporated in or used in the carrying out of any such inspection or works any materials which are defective or do not comply with the provisions of the Buildings Ordinance; or any materials which have not been mixed, prepared, applied, used, erected, constructed, placed or fixed in the manner required for such materials under the Buildings Ordinance;

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## REGULATORY OVERVIEW

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- (b) diverge or deviate in any material way from any work shown in a plan approved by the Building Authority under the Buildings Ordinance;
- (c) diverge or deviate in any material way from any works shown in a plan relating to minor works that is required to be submitted to the Building Authority under the simplified requirements; or
- (d) knowingly misrepresent a material fact in any plan, certificate, form, report, notice or other document given to the Building Authority under the Buildings Ordinance.

Failure to comply with any of the above provisions constitutes an offence and they are liable on conviction (a) in the case of a prescribed inspection (other than a prescribed inspection in respect of a window in a building) or building works (other than minor works) or street works, to a fine of HK\$1,000,000 and to imprisonment for 3 years; or (b) in the case of a prescribed inspection in respect of a window in a building or minor works, to a fine of HK\$500,000 and to imprisonment for 18 months.

In addition, any Registered General Building Contractor or Registered Specialist Contractor who contravenes section 9(5)(b) or (6)(b) of the Buildings Ordinance or any authorised person who contravenes section 4(3)(b) of the Buildings Ordinance, shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000. However, it shall be a defence in any prosecution for such a contravention for the person charged to prove to the satisfaction of the court that he did not know, nor could reasonably have discovered, the contravention referred to in the charge.

Under section 40(2G) of the Buildings Ordinance, where a Registered Specialist Contractor certifies or carries out minor works belonging to a class, type or item for which he is not registered, he shall be guilty of an offence and is liable on conviction to a fine at level 6 and to imprisonment for 6 months; and to a fine of HK\$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Any person who knowingly misrepresents a material fact in any report submitted to the Building Authority under section 27C(2)(c) of the Buildings Ordinance shall be guilty of an offence and shall be liable on conviction to a fine of HK\$250,000 and to imprisonment for 3 years.

### **List of Approved Specialist Contractors for Public Works**

For public sector projects, contractors responsible for LPM and/or land piling works are, among others, required to be listed under List of Approved Specialist Contractors for Public Works maintained by the Works Branch of the Development Bureau (“WBDB”), and with the Buildings Department as Registered Specialist Contractors under the sub-register categories of “Foundation Works” and “Site Formation Works”.

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As long as the main contractors hold all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, the main contractors must engage subcontractors registered on the Subcontractor Registration Scheme at the Construction Industry Council for public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, the Development Bureau and the Housing Authority.

Pursuant to Technical Circular (Works) No. 13/2004 issued by the WBDB (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 14 June 2004 and subsumed into the Project Administration Handbook for Civil Engineering Works by CEDD, all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Voluntary Subcontractor Registration Scheme, which has been renamed the Subcontractor Registration Scheme since January 2013.

Set out below are the further requirements for a contractor listed under the categories of “Landslip Preventive/Remedial works to Slopes/Retaining Walls” and “Land Piling (Group II)” of the List of Approved Specialist Contractors for Public Works when undertaking LPM and/or land piling works projects of the Development Bureau.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the List of Approved Specialist Contractors for Public Works, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a contractor, the WBDB takes into consideration, among others, (i) the contractor’s financial strength; (ii) the contractor’s technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

Pursuant to Technical Circular (Works) No. 10/2004 issued by the ETWB on 25 May 2004, in selective tendering, a tender will not be considered unless the contractor has met certain qualification requirements, for example, it is on a particular list of approved contractors and not being suspended from tendering.

Contractors in the list of approved contractors for public works, unless suspended, may tender for public works contracts in the works categories and groups for which they are approved, whereas specialist contractors in the List of Approved Specialist Contractors for Public Works, unless suspended, may tender for public works contracts in the works categories, classes and groups for which they are approved.



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### *“Landslip Preventive/Remedial works to Slopes/Retaining Walls” category*

The scope of work in this category covers landslip preventive works, remedial works or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or major trunk roads. Contractors included in the List of Approved Specialist Contractors for Public Works for “Landslip Preventive/Remedial works to Slopes/Retaining Walls” category but have not yet achieved confirmation status are considered to be probationary contractors. A probationary contractor may take on not more than 2 government contracts tendered under the “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category with total outstanding value of works of not greater than HK\$114 million.

For admission and retention as an approved contractor on the List of Approved Specialist Contractors for Public Works in the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category, a contractor is required to meet the minimum financial criteria and other requirements as follows:

1. Minimum employed capital

HK\$8,600,000.

2. Minimum working capital

Either (a) HK\$8,600,000 if no outstanding contracts or (b) the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors if the contractor has both employed and working capital not less than HK\$4.2 million respectively, whichever is higher.

3. Minimum technical and management criteria/other requirements

- (a) The applicant must be registered in the list of Registered Specialist Contractor for the sub-register of “Site Formation Works” category of the Buildings Department.
- (b) Either ISO certification or if they do not have suitable works contracts in hand for certification auditing, a confirmation from a certification body accredited by the Hong Kong Accreditation Service to issue the certification or considered to be equivalent by the Development Bureau that a full review of the quality manual of their Hong Kong office has been carried out in Hong Kong by the certification body and such Quality Manual has been confirmed by the certification body as being in conformity with the requirements of the relevant ISO standard. The scope of certification should include landslip preventive/remedial works to slopes/retaining walls.

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## REGULATORY OVERVIEW

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- (c) The applicant must achieve the minimum passing scores for the aggregate mark of the assessment and for individual or combined sections of the assessment in the following attributes:
- i. Experience and performance on Government contracts on Roads & Drainage and/or Site Formation categories (Group B or above) in the past 3 years.
  - ii. Experience and performance on landslip preventive, remedial or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or public roads in the past 3 years.
  - iii. Experience, availability and organization of managerial, professional, technical and site safety staff with particular emphasis on landslip preventive measures type works.
  - iv. Availability of plant and equipment for LPM type works.

### ***“Land Piling (Group II)” category***

If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the List of Approved Specialist Contractors for Public Works which is administered by the WBDB under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Land Piling (Group I) contractors can undertake foundation contracts/subcontracts of a value up to HK\$3.4 million while Land Piling (Group II) contractors can undertake foundation contracts/subcontracts of unlimited value.

For admission and retention as an approved contractor on the List of Approved Specialist Contractors for Public Works in the category of “Land Piling (Group II)”, a contractor is required to meet the minimum financial criteria and other requirements as follows:

1. Minimum employed capital

HK\$9,300,000.

2. Minimum working capital

Either (a) HK\$8,600,000, if no outstanding contracts, or (b) the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors if the contractor has both employed and working capital not less than HK\$4.2 million respectively, whichever is higher.

3. Minimum technical and management criteria/other requirements

- (a) A Registered Specialist Contractor in the “Foundation Works” sub-register under the Buildings Ordinance.

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## REGULATORY OVERVIEW

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- (b) Possess Quality Management System certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme (“HKCAS”) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the ETWB. The scope of certification shall be relevant to the piling system under application.
- (c) Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
- (d) Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.
- (e) Job experience: have completed at least 3 medium/large size local projects (of value above HK\$3 million each) within the past 5 years as main contractor.
- (f) Plant and equipment: appropriate equipment for each system (at least one set for each system).
- (g) Office/workshop facilities: Local office required and yard facilities available.
- (h) Others: Piling system to be registered: (a) method statement; (b) typical calculations; (c) acceptable references; and (d) satisfactory demonstration on site.

### **Regulatory actions against contractors by the Development Bureau**

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance and employment of illegal workers etc.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category) of the contractor’s licence, depending on the seriousness of the incident triggering the regulatory actions.

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In addition, a contractor will be compulsorily and automatically suspended from tendering for public works for six months if it has been (i) convicted of three or more offences under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in respect of separate incidents in a rolling 12-month period; or (ii) convicted of three or more offences under the Immigration Ordinance for employing illegal workers or for having illegal workers on sites under their control in respect of separate incidents in a rolling 12-month period. Furthermore, a contractor will be subject to regulatory action if it has been convicted of four or more mosquito breeding offences under section 27 of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) each arising out of separate incidents in any three-month period under the same contract. This regulatory action may lead to an invitation to the contractor to voluntarily refrain from tendering for public works contracts for a period of two months or the contractor having to provide reasons for disagreeing with such suspension.

### **Contractors' Performance Index System**

A contractors' performance index system (the "Contractors' Performance Index System") was established by then ETWB of the Government (formerly a policy bureau of the Government, the duties of which are now taken over by the Environment Bureau, Transport and Housing Bureau and WBDB following the reorganisation of the Policy Bureau and Government Secretariat) in 2000 to provide a ready indication of contractors' performance standard for reference by the project office and relevant tender board in tender evaluation. Under the Contractors' Performance Index System, the performance of a contractor is represented by a performance rating which is derived from the performance scores given in all the reports written on the performance of the contractors in Government works contracts in the preceding 12 3-month reporting periods. The performance score of a contractor's performance report is determined by the percentage of the scores attained by the contractor over the maximum scores in 11 different attributes (where applicable), including but not limited to workmanship, progress, site safety, environmental pollution control, organisation, general obligations, industry awareness, resources, design, attendance to emergency and attitude to claims.

The performance ratings are not publicly viewable. Instead, each contractor on the Contractor List will be advised of its performance rating in the form of a letter by post. The aforesaid letter from WBDB sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the reporting period. Pursuant to the Technical Circular (Works) No. 3/2007 issued by the ETWB and No. 3/2007A issued by the Development Bureau on 12 March 2007 and 28 November 2013 respectively, the performance rating of a contractor is based on a scale of 0 to 100 and there is no passing mark defined in the Contractors' Performance Index System. However, if a contractor's current performance rating falls below 40, or if there is an obvious and consistent downward trend, a closer examination of the contractor's past performance should be carried out and full justification must be provided before its tender is recommended for acceptance.

### **Requirements for the procurement of supplies, goods and services by an owners' corporation**

The procurement of supplies, goods and services by owners' corporations is regulated by the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong). Pursuant to section 20A

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## REGULATORY OVERVIEW

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of the Building Management Ordinance, the procurement of all supplies, goods or services required by an owners' corporation in the exercise of its powers and the performance of its duties under the deed of mutual covenant (if any) or the Building Management Ordinance shall be procured by invitation to tender if the value of service exceeds or is likely to exceed:

- (a) the sum of HK\$200,000; or
- (b) a sum which is equivalent to 20% of the annual budget of the owners' corporation, whichever is the lesser.

Whether the tender submitted for such purpose is accepted or not shall be decided by a resolution of the owners passed at a general meeting of the owners' corporation.

The above requirement for invitation to tender is exempted if:

- (a) the relevant supplies, goods or services are of the same type as any supplies, goods or services which are for the time being supplied to the owners' corporation by a supplier; and
- (b) the owners' corporation decides by a resolution of the owners passed at a general meeting of the owners' corporation that the relevant supplies, goods or services shall be procured from that supplier on such terms and conditions as specified in the resolution.

If the above requirements are not complied with, the contract for the procurement of the relevant supplies, goods or services is not void by reason only that it does not comply with the above requirements. However, subject to order made by the Hong Kong court, the contract may be avoided, i.e. cancelled by the owners' corporation by a resolution of the owners passed at a general meeting of the owners' corporation, only for the reason that it does not comply with the above requirements. The Hong Kong courts may make such orders (including whether the service contract is void or voidable) and give such directions in respect of the rights and obligations of the contractual parties as it thinks fit having regard to various circumstances, including but not limited to, whether the owners have benefited from the service contract and whether the owners have incurred any financial loss due to the service contract and the extent thereof.

Unless and until the relevant service contract is cancelled by the owners' resolution at a general meeting of the owners, the service contract remains valid and enforceable, and each party is required to fulfill its obligations thereunder.

### **Compliance with the relevant requirements**

Our Directors confirmed that our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date.

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## HISTORY AND DEVELOPMENT

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### OUR CORPORATE HISTORY

The history of our Group dates back to 1995 when Mr. Yu (an executive Director, the chairman of the Board, the chief executive officer and a Controlling Shareholder), together with his spouse, Ms. Wong (an executive Director and a Controlling Shareholder), incorporated Fraser Construction in Hong Kong, one of our principal operating subsidiaries. Through a number of share allotments and immediately before the Reorganisation, Mr. Yu and Ms. Wong together owned the entire issued shares of Fraser Construction.

Mr. Yu has been working in the construction industry since 1982. In 1995, Mr. Yu, being confident in the prospects of the slope works industry in Hong Kong, decided to explore business opportunities in undertaking slope works business in Hong Kong with his personal savings accumulated from his previous employments. Please refer to the section headed “Directors and senior management” in this prospectus for details relating to the qualifications and experience of Mr. Yu in the slope works industry.

Details of the members of our Group and their respective corporate history are set out below:—

### OUR COMPANY

Our Company was incorporated in the Cayman Islands on 20 May 2015. Upon completion of the Reorganisation, our Company became the holding company of our Group on 17 June 2015, details of which are set out in the paragraph headed “Reorganisation” in this section.

### OUR MAJOR OPERATING SUBSIDIARIES

#### Fraser Construction

Fraser Construction was incorporated in Hong Kong with limited liability on 5 October 1995, and 1,700 shares and 300 shares of Fraser Construction were allotted and issued to Mr. Yu and Ms. Wong respectively and the total issue price of HK\$200,000 was settled in October 1995. The issue price was based on the par value of HK\$100 per share of Fraser Construction. After the allotment, Fraser Construction was owned as to 85% and 15% by Mr. Yu and Ms. Wong, respectively.

## HISTORY AND DEVELOPMENT

Following the incorporation of Fraser Construction in 1995, in order to raise working capital, a number of share allotments of Fraser Construction had taken place. Mr. Yu and Ms. Wong together remained to hold all the issued shares of Fraser Construction until immediately before the Reorganisation. Details of these share allotments are set out in the table below:-

Date of share allotment	Relevant subscriber(s)	Increase in issued share capital	Total issue price	Basis of determination of issue price	Date of settlement	Percentage of shareholding immediately after share allotment
5 June 1996	Mr. Yu and Ms. Wong	24,000 shares with a par value of HK\$100 each	HK\$2,400,000	The then par value of the shares of Fraser Construction	In or about June 1996 in cash	Mr. Yu: 85% Ms. Wong: 15%
25 February 2003	Mr. Yu and Ms. Wong	13,000 shares with a par value of HK\$100 each	HK\$1,300,000	The then par value of the shares of Fraser Construction	In February 2003 by capitalising profits distributable to the then shareholders	Mr. Yu: 85% Ms. Wong: 15%
30 August 2005	Mr. Yu	40,000 shares with a par value of HK\$100 each	HK\$4,000,000	The then par value of the shares of Fraser Construction	In or about August 2005 in cash	Mr. Yu: approx. 92.59% Ms. Wong: approx. 7.41%
29 October 2009	Mr. Yu	10,000 shares with a par value of HK\$100 each	HK\$1,000,000	The then par value of the shares of Fraser Construction	In or about October 2009 in cash	Mr. Yu: approx. 93.43% Ms. Wong: approx. 6.57%
30 December 2010	Mr. Yu	11,000 shares with a par value of HK\$100 each	HK\$1,100,000	The then par value of the shares of Fraser Construction	In or about December 2010 in cash	Mr. Yu: 94.15% Ms. Wong: 5.85%
17 February 2014	Mr. Yu	80,000 shares with a par value of HK\$100 each	HK\$8,000,000	The then par value of the shares of Fraser Construction	In or about February 2014 in cash	Mr. Yu: 96.75% Ms. Wong: approx. 3.25%

As part of the Reorganisation, on 16 June 2015, Mr. Yu and Ms. Wong, as vendors, and Strong Move, as purchaser, entered into a sale and purchase agreement, pursuant to which Strong Move acquired 174,150 shares and 5,850 shares of Fraser Construction, representing all its issued shares in aggregate, from Mr. Yu and Ms. Wong, respectively, and in consideration, Strong Move in aggregate issued and allotted 2 shares in Strong Move, credited as fully paid, to True Sincere. After the aforesaid share transfer, Strong Move held 180,000 shares of Fraser Construction, being all the issued shares of Fraser Construction, and Fraser Construction became a wholly-owned subsidiary of Strong Move.

### Tubo Tech

Tubo Tech was incorporated in Hong Kong with limited liability on 31 December 2003, and was owned as to 50% by Mr. Li Shing Foon Eric (“Mr. Li”) and 50% by Ms. Chan Suk King (“Ms. Chan”). Save for being a former shareholder and former director of Tubo Tech, each of Mr. Li and Ms. Chan is not otherwise connected with our Company or its connected persons.

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## HISTORY AND DEVELOPMENT

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As Mr. Li and Ms. Chan did not have time to run the business of Tubo Tech, they decided to sell Tubo Tech. Mr. Yu and Ms. Wong acquired Tubo Tech because they believed that Tubo Tech's flexible barriers could be used for some of Fraser Construction's construction projects, which could minimise materials costs. On 24 October 2007, Mr. Yu and Ms. Wong acquired 500 shares and 500 shares, representing all the then issued shares of Tubo Tech in aggregate, from Mr. Li and Ms. Chan, respectively, for a nominal consideration of HK\$1, which was determined with reference to the net loss position of Tubo Tech and was settled in or around October 2007. After the aforesaid share transfer, Tubo Tech was owned as to 50% by Mr. Yu and 50% by Ms. Wong.

Currently, Tubo Tech is principally engaged in the provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works.

As part of the Reorganisation, on 16 June 2015, Mr. Yu and Ms. Wong, as vendors, and Magic City, as purchaser, entered into a sale and purchase agreement, pursuant to which Magic City acquired 500 shares and 500 shares of Tubo Tech, representing all its issued shares in aggregate, from Mr. Yu and Ms. Wong, respectively, and in consideration, Magic City in aggregate issued and allotted 2 shares in Magic City, credited as fully paid, to True Sincere. After the aforesaid share transfer, Magic City held 1,000 shares of Tubo Tech, being all the issued shares of Tubo Tech in aggregate, and Tubo Tech became a wholly-owned subsidiary of Magic City.

### BUSINESS DEVELOPMENT AND MILESTONES

The following table sets out the major development milestones of our Group since establishment:

<b>Date</b>	<b>Event</b>
1995	Fraser Construction was incorporated in Hong Kong on 5 October 1995 and commenced business.
1999	Fraser Construction was registered under the Buildings Ordinance as a Registered General Building Contractor in December 1999.
2000	Fraser Construction was included in the List of Approved Specialist Contractors for Public Works under the category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls" with a probationary status in February 2000.  Fraser Construction was registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Site Formation Works" category in April 2000.  Fraser Construction was registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category in June 2000.
2001	Fraser Construction obtained the ISO 9001:2000 certification in April 2001.



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## HISTORY AND DEVELOPMENT

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- 2004 In September 2004, Fraser Construction was awarded our first LPM project from CEDD, namely, the “10-year extended landslip preventive measures project, phase 3, package F — landslip preventive works for slopes in Kwun Tong, Wong Tai Sin and Sai Kung”, which involved the upgrading works for some 28 Government slopes and retaining walls with a contract sum of HK\$32.5 million.
- 2007 Mr. Yu and Ms. Wong acquired Turbo Tech in October 2007.
- 2010 In January 2010, Fraser Construction was awarded the first runner-up in the Best LPM Contractor Competition 2009 under the Landslip Prevention and Mitigation Programme organised by CEDD.
- In December 2010, Fraser Construction was awarded the first runner-up in the Best LPM Contractor Competition 2010 under the Landslip Prevention and Mitigation Programme organised by CEDD.
- 2011 Fraser Construction’s probationary status in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” was upgraded to a confirmed status in January 2011.
- Fraser Construction obtained the OHSAS 18001:2007 certification in September 2011.
- Fraser Construction obtained the ISO 14001:2004 certification in October 2011.
- 2013 Fraser Construction was included in the List of Approved Specialist Contractors for Public Works under the category of “Land Piling (Group II)” in April 2013.
- Fraser Construction obtained the ISO 9001:2008 certification in May 2013.
- 2014 In November 2014, Fraser Construction obtained the Environmental Merit Award from the Hong Kong Construction Association in recognition of the environmental performance of Fraser Construction for the year 2013.
- 2015 In February 2015, Fraser Construction was awarded the second runner-up in the Best LPM Contractor Competition 2014 under the Landslip Prevention and Mitigation Programme organised by CEDD.
- Our Company was incorporated on 20 May 2015 as part of the Reorganisation for the purpose of the Listing.

### REORGANISATION

Our Company completed the Reorganisation on 17 June 2015 in preparation for the Listing, pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the section headed “Statutory and general information — A. Further information about our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus.

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## HISTORY AND DEVELOPMENT

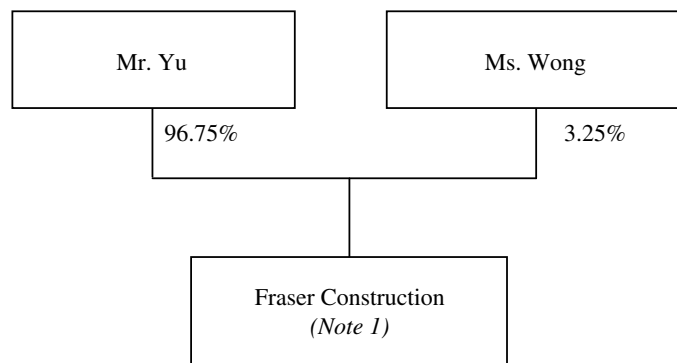
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As confirmed by our Directors, the change of shareholdings in Fraser Construction and Tubo Tech, being the subsidiaries of our Company incorporated in Hong Kong, under the Reorganisation would not require any approval or permit from any relevant government authorities in Hong Kong.

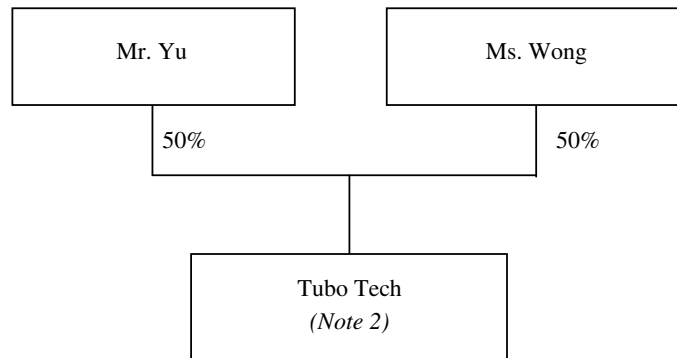
### Our Group Structure

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:—

#### *Fraser Construction*



#### *Tubo Tech*



Notes:-

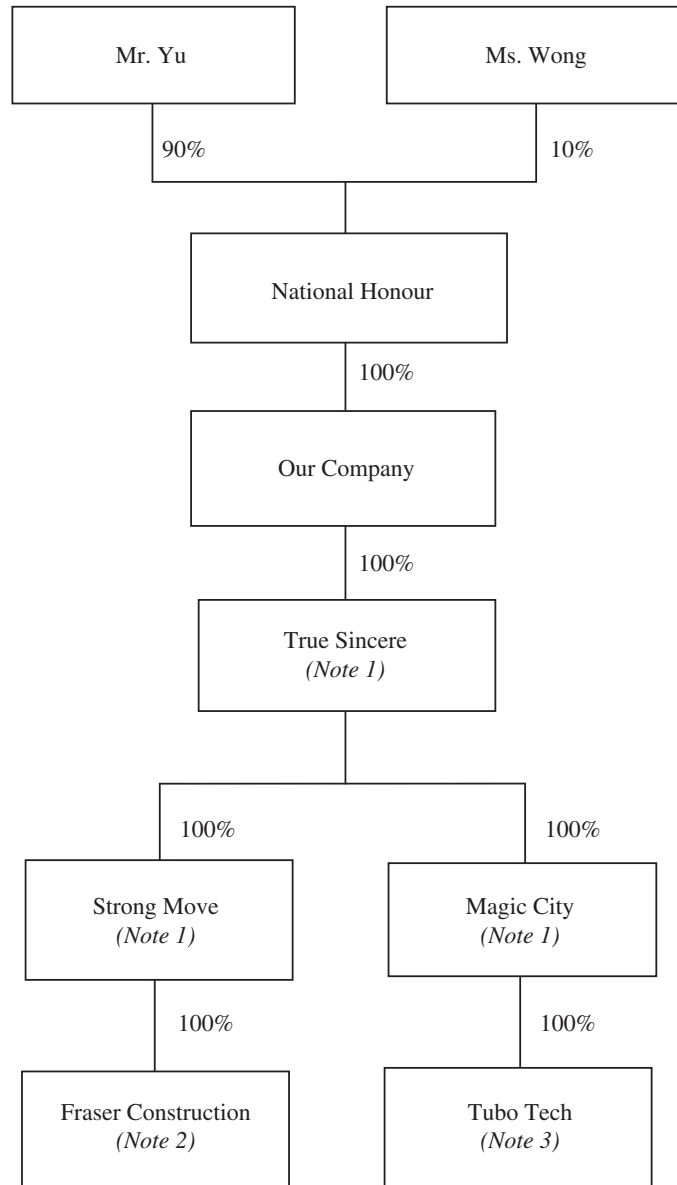
- (1) Fraser Construction is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.
- (2) Tubo Tech is principally engaged in the provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works.

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## HISTORY AND DEVELOPMENT

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As part of the Placing, the Selling Shareholder (i.e. National Honour) will offer 155,000,000 Sale Shares for sale. For details of the sale of the Sale Shares by the Selling Shareholder, please refer to the section headed “Structure and conditions of the Placing” of this prospectus. The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Placing and the Capitalisation Issue:-



Notes:-

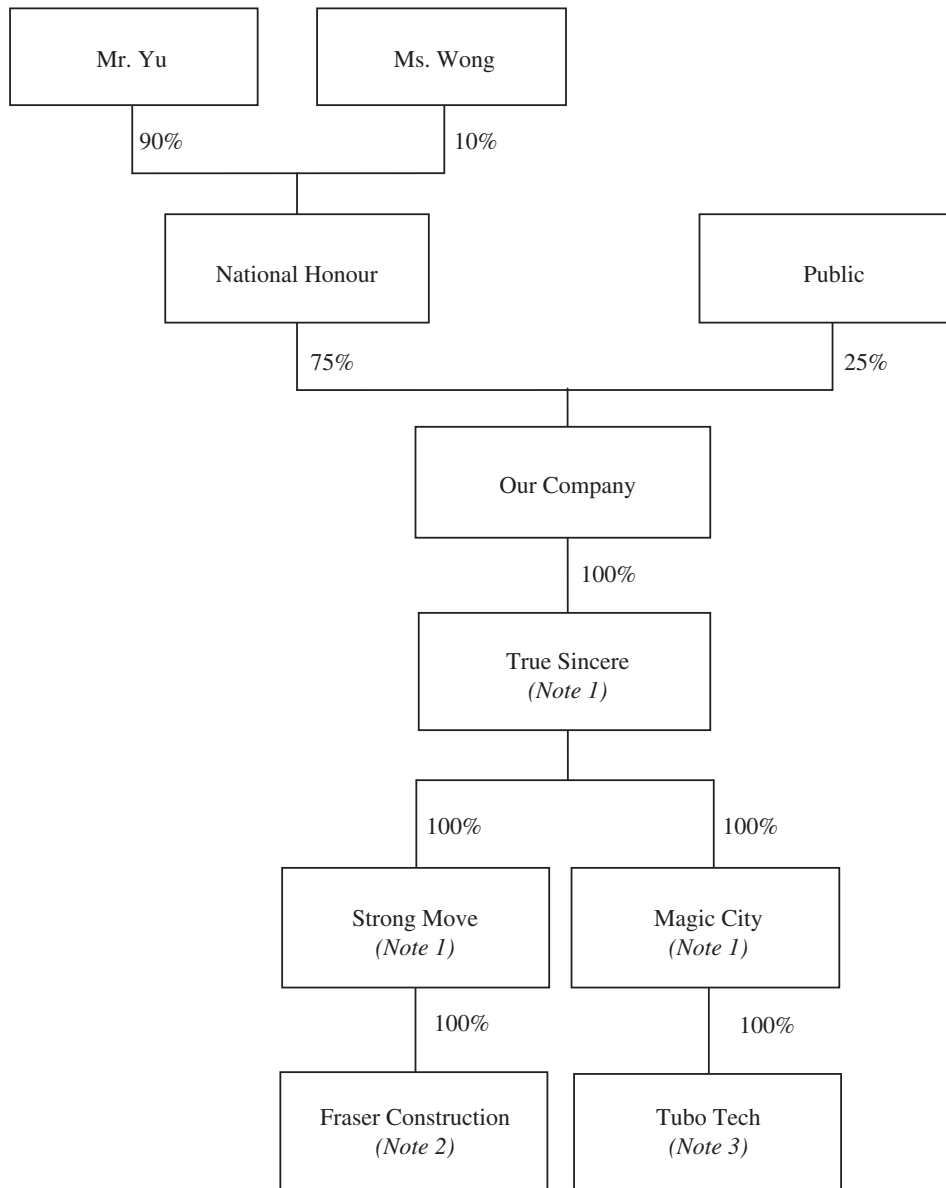
- (1) True Sincere, Strong Move and Magic City are investment holding companies.
- (2) Fraser Construction is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.
- (3) Tubo Tech is principally engaged in the provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works.

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## HISTORY AND DEVELOPMENT

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The following diagram sets out the corporate structure of our Group after completion of the Reorganisation and immediately after completion of the Placing and the Capitalisation Issue:-



Notes:-

- (1) True Sincere, Strong Move and Magic City are investment holding companies.
- (2) Fraser Construction is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.
- (3) Tubo Tech is principally engaged in the provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works.

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## BUSINESS

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### OVERVIEW

We are 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. The following table sets out a breakdown of our revenue during the Track Record Period:

	<b>FY2014</b>		<b>FY2015</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Slope works	114,083	88.93	143,013	90.89
Foundation works	6,572	5.12	1,283	0.82
General building works	7,455	5.81	12,825	8.15
Others ( <i>Note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
<b>Total revenue</b>	<b><u>128,295</u></b>	<b><u>100.0</u></b>	<b><u>157,346</u></b>	<b><u>100.0</u></b>

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

The majority of our revenue during the Track Record Period was derived from public sector projects, i.e. projects that originate from the Government or statutory bodies, where our customers primarily included Government departments such as the CEDD, Lands Department and Architectural Services Department, as well as other statutory bodies including the Housing Authority and one which is responsible for the operation and management of certain Chinese temples in Hong Kong. During the Track Record Period, we have also undertaken private sector projects, i.e. projects that are not public sector projects, where our customers primarily included a private investment company and a bank. For further information regarding our customers, please refer to the paragraph headed “Customers” below in this section. The following table sets forth a breakdown of our revenue during the Track Record Period by public and private sector projects:

	<b>FY2014</b>		<b>FY2015</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector projects	107,852	84.07	139,330	88.55
Private sector projects	20,258	15.79	17,791	11.31
Other ( <i>Note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
<b>Total</b>	<b><u>128,295</u></b>	<b><u>100.0</u></b>	<b><u>157,346</u></b>	<b><u>100.0</u></b>

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

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Most of our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor. We normally engage further subcontractors to carry out the site works and we mainly focus on (i) the supervision of site works carried out by our subcontractors with a view to ensuring the conformity of the works with the specifications required by our customers as well as the overall quality of the works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the works.

Most of the machinery and direct labours required for the performance of site works are provided by our subcontractors. Construction materials required for the performance of site works are normally procured by our subcontractors directly without our involvement, or, alternatively, procured by us on behalf of our subcontractors, where the relevant costs are normally borne by our subcontractors. Construction materials procured by us on behalf of our subcontractors are purchased on a project-by-project basis and we do not maintain any inventory of construction materials.

Our revenue mainly represents income derived from undertaking contract works. Costs of our services mainly include subcontracting charges and staff costs in respect of our on-site project management and supervision personnel as well as direct labours for carrying out site works.

Fraser Construction, 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 is registered under the Buildings Ordinance as a (i) Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories; and (ii) Registered General Building Contractor. For further details, please refer to the paragraph headed “Licences and permits” below in this section.

During the Track Record Period, we had an aggregate of 23 projects with revenue contribution to us. As at the Latest Practicable Date, we had an aggregate of nine projects on hand. For a full list of such projects, please refer to the paragraphs headed “Projects undertaken during the Track Record Period” and “Projects on hand” below in this section.

### MARKET AND COMPETITION

The majority of our revenue during the Track Record Period was derived from undertaking slope works commissioned by the Government and statutory bodies. In 2010, the Geotechnical Engineering Office of the CEDD launched the Landslip Prevention and Mitigation Programme to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. According to the Government’s statement upon the launch of the Landslip Prevention and Mitigation Programme, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to

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## BUSINESS

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conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments. Please refer to the section headed “Industry overview — Slope works industry — Landslip Prevention and Mitigation Programme” in this prospectus for further information.

According to the information available on the CEDD’s website, the Geotechnical Engineering Office let an average of about 13 LPM works contracts each year (with multiple slopes or sites under each works contract).

To tender for Government LPM works contracts generally, a contractor must be 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 category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” (see the paragraph headed “Licences and permits — Public sector projects” in this section for further information). According to the information available on the website of the Development Bureau of the Government as at the Latest Practicable Date, there were an aggregate of 35 such approved specialist contractors, among which 13 were on probation and 22 had a confirmed status (including Fraser Construction, our principal operating subsidiary). We compete directly with these contractors for Government slope works contracts.

When evaluating a tender for Government works contracts, the relevant Government department may adopt the “formula approach” where an overall score for each conforming tender is calculated as to 60% based on the tender price and as to 40% based on the tenderer’s performance rating under the Contractors’ Performance Index System and the tenderer’s safety rating based on its past accident rates under public works contracts. Please refer to the paragraph headed “Competitive strengths — 3. High performance ratings of Fraser Construction under the Contractors’ Performance Index System administered by the Development Bureau of the Government” in this section for a further discussion on how we may be competing favourably with our competitors for Government slope works contracts in this regard.

According to the information available on the website of the CEDD, as at 1 October 2015, there were 35 active works contracts under the Landslip Prevention and Mitigation Programme with total contract sum of approximately HK\$3,286.9 million. Among such 39 active contracts as at 1 October 2015, five contracts with total contract sum of approximately HK\$431.3 million were awarded to Fraser Construction, giving us a market share of approximately 13.1% in terms of contract sum among such active Government slope works contracts.

According to the Ipsos Report, the top five slope works contractors in Hong Kong together accounted for approximately 52.2% of the total revenue of the slope works industry in Hong Kong in 2014 (for both public and private slope works). Fraser Construction was the third largest slope works contractor in Hong Kong in 2014, with approximately 9.2% of the total revenue of the slope works industry in Hong Kong in 2014 (for both public and private slope works).

For further information regarding the competitive landscape of the industry in which we operate, please refer to the section headed “Industry overview” in this prospectus.

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## BUSINESS

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### COMPETITIVE STRENGTHS

We believe that our competitive strengths include:

#### 1. Experienced project management team

In a typical project, we, as the main contractor, normally focus on the project management and supervision functions, which refer to (i) the supervision of site works carried out by our subcontractors with a view to ensuring the conformity of the works with the specifications required by our customers as well as the overall quality of the works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the works.

Our Directors believe that we have an experienced team of project management and supervision staff. Our Directors consider that the experience of our team of project management and supervision staff are essential for our performance of the project management and supervision functions in our capacity as the main contractors of projects undertaken by us.

As at the Latest Practicable Date, in addition to Mr. Yu, our team of project management and supervision staff comprised a total of 44 members, including Mr. Lee Ho Cheong and Mr. Ho Chi Ming, Alvin, who are members of our senior management. Mr. Yu has more than 32 years of experience in the construction industry in Hong Kong and has served on various boards and committees of different Government bodies and industry organisations. Each of Mr. Lee Ho Cheong and Mr. Ho Chi Ming, Alvin also has more than 22 years of experience in the construction industry in Hong Kong. For further information regarding the background of Mr. Yu, Mr. Lee Ho Cheong and Mr. Ho Chi Ming, Alvin, please refer to the section headed “Directors and senior management” in this prospectus.

#### 2. Stringent quality control and high safety standard and environmental impact control

We place emphasis on consistently high quality of our service and have adopted and implemented a quality control system that complies with international standards. Since 2001 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of ISO 9001 accreditation for our management system.

We have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us. Our safety and environmental management systems have been certified to be in compliance with OHSAS 18001 and ISO 14001 standards respectively.

We believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established contractor for slope works, foundation works and other general building works in Hong Kong.



### **3. High performance ratings of Fraser Construction under the Contractors' Performance Index System administered by the Development Bureau of the Government**

The Contractors' Performance Index System was established by the Environment, Transport and Works Bureau of the Government in 2000 (now administered by the Development Bureau of the Government) to provide a ready indication of contractors' performance standard for reference by the project office and relevant tender board in tender evaluation.

Under the Contractors' Performance Index System, the performance of a contractor included in the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the Government (see the paragraph headed "Licences and permits — Public sector projects" in this section for further information on such list) is represented by a performance rating which is derived from scores given in all the reports written on the performance of the contractors in Government works contracts in the preceding twelve 3-month reporting periods. The score of a contractor's performance report is determined by the percentage of the scores attained by the contractor over the maximum scores in 11 different attributes (where applicable), including but not limited to workmanship, progress, site safety, environmental pollution control, organisation, general obligations, industry awareness, resources, design, attendance to emergency and attitude to claims.

The performance ratings are not publicly accessible. Instead, each contractor will be advised of its performance rating in the form of a letter by post from the Development Bureau of the Government. Such letter sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the reporting period. Pursuant to the Technical Circular (Works) No. 3/2007 issued by the Environment, Transport and Works Bureau of the Government and No. 3/2007A issued by the Development Bureau of the Government on 12 March 2007 and 28 November 2013 respectively, the performance rating of a contractor is based on a scale of 0 to 100 and there is no passing mark defined in the Contractors' Performance Index System. However, if a contractor's current performance rating falls below 40, or if there is an obvious and consistent downward trend, a closer examination of the contractor's past performance should be carried out and full justification must be provided before its tender is recommended for acceptance.

The contractor's performance ratings are used to determine the tenderers' performance scores in the "formula approach" which has been implemented by the Government for evaluation of tenders for public works contracts since November 2002. These ratings may also be used in other tender evaluation methods to provide tender examiners and tender boards with an indication of the level and the trend of the contractor's recent performance.

Pursuant to the Technical Circular (Works) No.4/2014 issued by the Development Bureau of the Government, under the "formula approach", the tender price and the tenderer's past performance are taken into account when evaluating a tender for public works contracts. With respect to each conforming tender, an overall score will be determined in accordance with a formula where 60% of the overall score is calculated based on the tender price and 40% of the overall score is calculated based on the tenderer's performance rating under the Contractors' Performance Index System and the tenderer's safety rating based on its past accident rates under public works contracts. The tender with the highest overall score is normally recommended for acceptance, subject to the usual requirement that the relevant Government department is satisfied that the recommended tenderer is fully capable (including technically, commercially and financially) of undertaking the contract.

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## BUSINESS

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Fraser Construction’s quarterly performance ratings under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” as appraised by the Development Bureau of the Government were consistently above the corresponding average ratings and median ratings for the last nine consecutive quarters up to the first quarter of 2015. Its quarterly performance ratings under the category of “Land Piling” were consistently equal to the maximum rating among all contractors being rated for the seven quarters out of the last nine consecutive quarters up to the first quarter of 2015 while its quarterly performance rating for the remaining two quarters were both above the median rating. Fraser Construction’s quarterly performance ratings from 2013 up to the first quarter of 2015 are summarised in the table below:

**Fraser Construction’s quarterly performance ratings<sup>(note)</sup>**  
under the category of:

	<b>“Landslip Preventive/Remedial Works to Slopes/Retaining Walls”</b>	<b>“Land Piling”</b>
1 <sup>st</sup> quarter of 2013	Higher than the median rating and the average rating	Equal to the maximum rating
2 <sup>nd</sup> quarter of 2013	Higher than the median rating and the average rating	Higher than the median rating and the average rating
3 <sup>rd</sup> quarter of 2013	Higher than the median rating and the average rating	Equal to the maximum rating
4 <sup>th</sup> quarter of 2013	Higher than the median rating and the average rating	Higher than the median rating and the average rating
1 <sup>st</sup> quarter of 2014	Higher than the median rating and the average rating	Equal to the maximum rating
2 <sup>nd</sup> quarter of 2014	Higher than the median rating and the average rating	Equal to the maximum rating
3 <sup>rd</sup> quarter of 2014	Higher than the median rating and the average rating	Equal to the maximum rating
4 <sup>th</sup> quarter of 2014	Higher than the median rating and the average rating	Equal to the maximum rating
1 <sup>st</sup> quarter of 2015	Higher than the median rating and the average rating	Equal to the maximum rating

*Note:* As discussed above, the performance ratings are not publicly accessible. Instead, each contractor will be advised of its performance rating in the form of a letter by post from the Development Bureau of the Government. Such letter also sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the relevant period. No percentile or quartile information was provided in such letters.

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## BUSINESS

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Because of the significance of the performance ratings in the “formula approach” as mentioned above, the high performance ratings of Fraser Construction gives us a competitive advantage when tendering for public works contracts.

### **BUSINESS STRATEGIES**

Our principal business objective is to further strengthen our position as an established contractor for slope works, foundation works and other general building works in Hong Kong. We intend to achieve our business objective by pursuing the following key strategies:

#### **1. Further developing our business by undertaking more projects**

The aggregate number and size of projects that we are able to undertake hinge on the amount of our available working capital because (i) there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch; (ii) some of our customers may also require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position; and (iii) the retention of Fraser Construction on 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” and “Land Piling (Group II)” is subject to certain minimum employed capital and minimum working capital requirements being met from time to time taking into account our outstanding workload and available financial resources. For further information regarding such working capital requirements, please refer to the paragraphs headed “Our services — Working capital requirements associated with undertaking contract works” and “Licences and permits — Public sector projects” below in this section.

If we are to expand our business and undertake more projects, we must continue to increase our available financial resources in order to satisfy the various working capital requirements mentioned above (in particular, the statutory working capital requirements imposed by the Development Bureau of the Government in relation to our retention on the List of Approved Specialist Contractors for Public Works taking into account our outstanding workload from time to time). Our Directors believe that the net proceeds from the Placing will strengthen our available working capital. By applying a portion of the proceeds from the Placing for satisfying the various working capital requirements associated with undertaking contract works as mentioned above, our Directors intend to further develop our business by undertaking more projects in the future.

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## BUSINESS

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Subject to the availability of suitable business opportunities and having regard to our ability to meet the various working capital requirements mentioned above, we intend to increase our number of tender submissions for both public sector projects and private sector projects with a primary focus on slope works, being the principal type of works that we have undertaken during the Track Record Period in terms of revenue contribution. In connection with our plan to undertake more projects, we also plan to further strengthen our manpower, which is further discussed in the following paragraph. We intend to apply a portion of the proceeds from the Placing for satisfying the various working capital requirements in relation to undertaking more projects, including the additional working capital requirements that may arise in view of our plan to increase our number of tender submissions.

### **2. Further strengthening our manpower**

Our Directors consider that the experience of our team of project management and supervision staff, safety officers and site supporting staff are essential for our performance of the project management and supervision functions in our capacity as the main contractors of projects undertaken by us. In order to cope with our business development and with our plan to undertake more projects as mentioned above, we intend to expand our team of project management and supervision staff, safety officers and site supporting staff by recruiting additional experienced personnel and provide more training to our existing and newly recruited staff. In addition, we also plan to strengthen our back-office accounting staff to cope with our future business development.

### **Implementation of business strategies**

As at the Latest Practicable Date, we have not identified any target for acquisition and do not have any acquisition plan.

For further details on the implementation of the above-mentioned business strategies, please refer to the section “Future plans and use of proceeds” in this prospectus.

## **OUR SERVICES**

### **Types of works**

We are a contractor principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong through Fraser Construction, our principal operating subsidiary. Given our considerable project management experience, during the Track Record Period, we also provided limited consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works through Tubo Tech. However, revenue from such consultancy services was not significant to our business and only represented approximately 0.14% and 0.14% of our total revenue for FY2014 and FY2015 respectively.

### *Slope works*



Slope works refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

A large part of our slope work was generated from contracts with the Government that we obtained through the competitive tendering process. We have undertaken a number of public sector projects as the main contractor for the provision of slope works services particularly the CEDD under the Landslip Prevention and Mitigation Programme (for further details of this program, please refer to the paragraph headed “Market and competition” of this section) as well as the Architectural Services Department, the Lands Department and certain statutory bodies in Hong Kong. We also provided slope work services to private sector customers including a bank and a property holding company given the proximity of their premises to slopes in need of remedial works.

During the Track Record Period, our slope works involved erection of hoarding and temporary chain link fence, drilling and installation of soil nails, construction of retaining walls, installation of debris flow flexible barriers, construction of raking drain, installation of erosion control and wire mesh, and construction of concrete maintenance stairway.

As at the Latest Practicable Date, Fraser Construction was on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the Government under the category of “Landslip Preventive/Remedial Works to Slopes Retaining Walls” with a confirmed status and a Registered Specialist Contractor under the sub-register of “Site Formation Works” category with the Buildings Department. For details, please refer to the paragraph headed “Licences and permits” of this section.

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### *Foundation works*



Foundation works are generally concerned with the construction of the foundation for general building construction.

We provided foundation works services primarily in private sector projects where we served either as the main contractor or as a subcontractor. Our customers for our foundation works services during the Track Record Period included a private investment company and other contractors in the construction industry.

During the Track Record Period, our foundation works involved minipile installation, sheetpiling works, excavation, lateral support and piling construction works.

As at the Latest Practicable Date, Fraser Construction was on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau of the Government under the category of “Land Piling (Group II)” and a Registered Specialist Contractor under the sub-register of “Foundation Works” category with the Buildings Department. For details, please refer to the paragraph headed “Licences and permits” of this section.

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### *General building works*



We provided general building works services primarily in private sector projects where we served as the main contractor. Our customer for our general building works services during the Track Record Period included a private investment company.

During the Track Record Period, our general building works involved hoarding erection, chain link fence construction, construction of residential reinforced concrete structure as well as other general works involving in construction of a building.

As at the Latest Practicable Date, Fraser Construction was a Registered General Building Contractor with the Buildings Department. For details, please refer to the paragraph headed “Licences and permits” of this section.

The following table sets out a breakdown of our revenue during the Track Record Period:

	<b>FY2014</b>		<b>FY2015</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Slope works	114,083	88.93	143,013	90.89
Foundation works	6,572	5.12	1,283	0.82
General building works	7,455	5.81	12,825	8.15
Others ( <i>note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
<b>Total revenue</b>	<u><u>128,295</u></u>	<u><u>100.0</u></u>	<u><u>157,346</u></u>	<u><u>100.0</u></u>

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

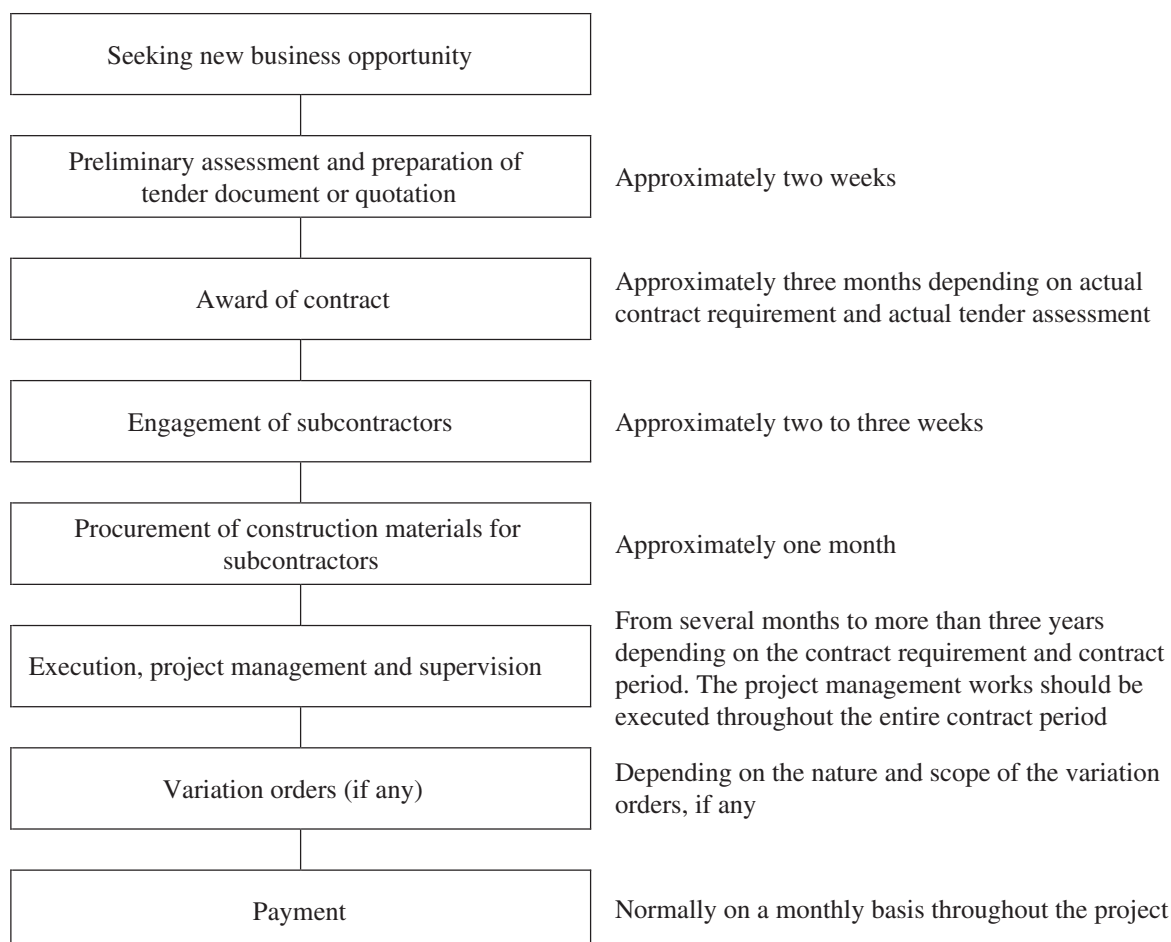
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### Operation flow

The following diagram summarises the principal steps of our operation flow when undertaking contract works:



*Note:* The time line may vary for different projects depending on factors such as terms of contract, nature of works (including variation orders) and/or our agreement with the customer on the timeframe for the principal steps as well as unforeseeable circumstances.

#### *Seeking new business opportunity*

Our public sector projects are normally awarded through open tendering procedures. We seek new business opportunities in public sector projects by (i) reviewing the Government Gazette and the Government's website on which tender notices from different Government departments are published; and (ii) receiving notices of invitation to tender from certain Government departments and statutory bodies which from time to time send notices to approved specialist contractors included in the List of Approved Specialist Contractors for Public Works (see the paragraph headed "Licences and permits — Public sector works" below in this section for further information on such list). A typical tender notice includes brief description of the works required, the expected commencement date and contract period, the contact details of the relevant parties from which forms of tender and further particulars of the project may be obtained and the closing time and date of the tender.



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Our private sector projects are normally awarded through invited tendering procedures. Information in respect of projects for the private sector in Hong Kong subject to tender is normally received directly from customers or their appointed architects or consultants by way of invitation letters, phone calls or verbal invitations.

### *Preliminary assessment and preparation of tender document or quotation*

After obtaining the tender documents including the forms of tender and further particulars from the relevant Government department or statutory body or from the customer in private sector, we will decide on whether to pursue the potential project by reviewing, among other things, the expected complexity of the project, the contract size, the nature and amount of skills and resources required, and whether our available working capital is sufficient to cope with the estimated cash flow requirements in undertaking the project (as further discussed in the paragraph headed “Our services — Working capital requirements associated with undertaking contract works” below in this section).

If we decide to pursue the potential project after our assessment, we will commence preliminary work for the preparation of tender submissions such as understanding the specifications and requirements of the project, performing site visits, estimating the cost of labours and construction materials required, and assessing the amount of manpower and the duration of the project. For our preparation of tender submissions and quotations, we will also obtain preliminary quotations from our potential subcontractors to which we may subcontract the site works.

For public sector projects, we will submit the tender documents to the Government through Fraser Construction, which is an approved specialist contractors included in the List of Approved Specialist Contractors for Public Works. For private sector projects, we will submit the duly completed form of tender together with our quotation and other required documents to our customers.

### *Award of contracts*

Award of contract is generally confirmed by way of a letter of acceptance for both public and private sector projects. An agreement incorporating the detailed terms and conditions may also be entered into between us and our customer. For some of the public sector projects, award of contract may also be published in the Government Gazette.

The following table summarises our overall tender success rate for each of FY2014 and FY2015:

	<b>FY2014</b>	<b>FY2015</b>
Tender success rate ( <i>Note</i> )	18%	10%

*Note:* Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year, divided by the number of tenders submitted during the financial year.

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It is our general strategy to respond to our customers' invitations and tender notices from the Government and statutory bodies by submitting tenders. Our Directors believe such strategy allows us to (i) maintain relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful in tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may submit tenders which are less competitive for projects, thereby leading to fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of the aggregate amount of original contract sum in respect of the contracts awarded as shown in the above table, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

For the principal terms of our engagement in a typical project, please refer to the paragraph headed "Customers — Principal terms of engagement" below in this section.

### *Engagement of subcontractors*

We normally engage further subcontractors to carry out the site works. One or more subcontractor(s) may be engaged for a project to carry out different aspects of the works.

The agreement between our subcontractor and us generally contains key terms and conditions including the scope of works, the completion date, the defects liability period, etc. that are mirrored to those contained in the agreement between us and our customer. In some cases, however, we may offer more favourable payment terms to our subcontractors as compared with the payment terms offered to us by our customer. The purpose of such arrangement is to attract quality and capable subcontractors in order to ensure the quality of our service. However, such arrangement will inevitably result in an increase in our working capital requirements, which is further discussed in the paragraph headed "Our services — Working capital requirements associated with undertaking contract works" below in this section.

### *Procurement of construction materials for subcontractors*

Construction materials required for the performance of site works are normally procured by our subcontractors directly without our involvement where the relevant costs are normally borne by our subcontractors. In some of our projects, we may purchase materials for our subcontractors for carrying out our projects. In such cases, the relevant purchase costs will normally be paid by us up-front and subsequently satisfied by our subcontractors by way of deduction of the subcontracting fees payable by us to them from time to time, except in a limited number of cases where the purchase costs were borne by us. We do not maintain any inventory of construction materials.

### *Execution, project management and supervision*

Our subcontractors are responsible for carrying out the site works. Generally the machinery and direct labours required for the performance of site works are provided by our subcontractors. Nevertheless, we maintain a small quantity of machinery, which mainly include air compressors that are used in generating power from compressed air for other machinery, which we may lease to our subcontractors when necessary. Rental income from the lease of machinery to our subcontractors is

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booked as our other income in our financial statements. In addition, we also maintained a small number of direct labours for performing site works in FY2014. Depending on our agreements with our subcontractors on a case-by-case basis, the costs of staff directly involved in the execution, project management and supervision may be partly borne by us and/or by our subcontractors.

We mainly focus on (i) the supervision of site works carried out by our subcontractors with a view to ensuring the conformity of the works with the specifications required by our customers as well as the overall quality of the works and (ii) the overall planning and management of work schedules and logistical arrangements in relation to the workers, materials, machinery and other resources required at work sites with a view to ensuring smooth and timely completion of the works. Throughout the execution of the project, our on-site project management and supervision personnel will also have meetings with our customers to review work progress and to resolve any issues identified during the course of execution.

### *Variation orders (if any)*

Our customer may, in the course of project execution, place orders concerning variation to part of the works that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site. We will discuss with our customer to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum mainly with respect to rate of works of the same or similar character as set out in the main contract. A variation order will usually be notified to us by way of a letter from our customer describing the detailed works to be carried out as a result of such variation order. In general, we will then obtain quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval. The principal contract terms and settlement of variation orders are generally in line with the terms of the main contract.

In respect of our projects completed during each of FY2014 and FY2015 where the amount of revenue recognised were lower than the original contract sum, such differences amounted to an aggregate of nil and approximately HK\$4.46 million respectively. In respect of our projects completed during each of FY2014 and FY2015 where the amount of revenue recognised were higher than the original contract sum, such differences amounted to an aggregate of approximately HK\$1.57 million and HK\$9.00 million respectively (whereas our total revenue amounted to approximately HK\$128.30 million for FY2014 and approximately HK\$157.35 million for FY2015).

### *Payment*

We receive progress payment pursuant to the terms of each contract for both public and private sector projects. Our application for progress payment is normally made on a monthly basis. After examination by our customers or their agents, a payment certificate would be issued to us certifying the portion of work completed (including works under variation orders) which normally takes around a few days to a month from the date of application.

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Normally, payments for public sector projects will be made by our customer to us within three weeks from the date of issue of the payment certificate as stipulated in the relevant contracts. For private sector projects, payments will generally be made by our customer to us according to the terms of the relevant contracts normally in approximately 30-60 days from the date of issue of the payment certificate.

We normally pay our subcontractors on a monthly basis with reference to the value of the work done. Payment terms granted by our suppliers generally ranged from approximately 42 to 60 days. We will normally verify the actual works completed by our subcontractors as certified by our customers, and deduct any materials consumed by or purchased on behalf of them. Payment will be made to our subcontractors after conducting such verification process.

### Pricing strategy

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the overall cost expected to be incurred in undertaking the project with reference to preliminary quotations obtained from our subcontractors as well as the costs of construction materials, labour, machinery and other resources required based on prevailing market conditions; (ii) the overall scale and complexity of the project and any difficulties in performing the works including those in relation to possible difficult sub-soil conditions; (iii) the completion time requested by customers; (iv) prices offered to the customer in the past; and (v) the prevailing market trends and conditions in general.

We need to estimate the time and costs involved in a project in order to determine our tender price and there is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

Normally, we would be more willing to set our tender price for a project with a large contract sum based on a relatively lower expected margin (being the contract sum minus the expected subcontracting charges and then divided by the contract sum) because of the relatively larger absolute amount of profit (being the contract sum minus the expected subcontracting charges) expected to be derived from the project. As such, during the Track Record Period, we recorded lower gross profit margin for our public sector projects (which were generally of larger contract sums) than for our private sector projects:

	<b>FY2014</b>	<b>FY2015</b>
Gross profit margin		
— Public sector projects	8.80%	12.10%
— Private sector projects	28.97%	20.70%
— Overall	12.11%	13.20%

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For the reasons for the fluctuation in our gross profit margin for public sector projects and private sector projects during the Track Record Period, please refer to the section headed “Financial information — Period-to-period comparison of results of operation” in this prospectus.

### **Working capital requirements associated with undertaking contract works**

When undertaking contract works, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. If we choose to pay our subcontractors only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality subcontractors for our business in the future. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and our trade receivables turnover days. For each of FY2014 and FY2015, our trade payables turnover days were approximately 47.20 days and 41.34 days respectively and our trade receivables turnover days were approximately 58.36 days and 59.32 days respectively, which are further discussed in the section headed “Financial information” in this prospectus.

Some of our customers may also require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the paragraph headed “Customers — Principal terms of engagement — Performance bonds/liquidated damages requirement” in this section.

In addition, Fraser Construction, 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” and “Land Piling (Group II)”, which is a prerequisite for tendering for public sector projects in the relevant works categories. The retention on such list is subject to certain minimum employed capital and minimum working capital requirements being met from time to time. In particular, we are required to: (i) maintain a minimum working capital of HK\$8,600,000 at present if we do not have any outstanding contracts in hand; or (ii) if we have outstanding contracts in hand, maintain a minimum working capital of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts, whichever is higher, both in the public and private sectors at all times. Our working capital is affected by various factors, including but not limited to the aggregate size of contracts undertaken by us from time to time, the overall amount of our receivables and payables, as well as the time lags between making payments to our subcontractors and receiving payments from our customers, etc. We must be able to satisfy the abovementioned statutory minimum working capital requirement when we expand our business and undertake more projects. For further information, please refer to the paragraph headed “Licences and permits — Public sector projects” in this section.

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In order to manage our liquidity position in view of such working capital requirements and the possible cash flow mismatch associated with undertaking contract works, we have adopted the following measures:

- (i) Before undertaking each new contract, our finance department led by our financial controller (namely, Mr. Yiu Chun Wing, whose experience and qualifications are disclosed in the section headed “Directors and senior management — Senior management” in this prospectus) will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project as well as our other liquidity requirements associated with our ongoing projects and our overall business operations so as to ensure the sufficiency of our financial resources before undertaking a new contract.
- (ii) Our financial controller is also responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements.
- (iii) If, based on our regular monitoring by our financial controller, there is any expected shortage of internal financial resources, we will refrain from undertaking new projects and will consider different financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions.

### Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality. Although 15 out of the 23 projects undertaken by us during the Track Record Period commenced works in the second half of the year (see the paragraph headed “Projects undertaken during the Track Record Period” below in this section), our Directors consider that this is merely a coincidence and that our operation is not affected by seasonality because:

- (i) Based on our Directors’ experience, tender opportunities for both public sector projects and private sector projects are generally available throughout the year without being clustered in any particular months of the year.
- (ii) A project can last for several months to more than three years, during which revenue is recognised based on our stage of completion with reference to our actual works progress for the project. Our Directors consider that under normal circumstances, works in Hong Kong are generally carried out without particular regard to the timing of the year.

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- (iii) Based on the “Summary of Active LPM Works Contracts under the Landslip Prevention and Mitigation Programme” as at 1 October 2015 published on the CEDD’s website, recent LPM works contracts with commencement dates in 2014 do not exhibit any significant seasonality pattern:

**Number of active LPM works contracts as at 1 October 2015  
with commencement date in:**

— First half of 2014	6
— Second half of 2014	<u>6</u>
	<u><u>12</u></u>

### PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

During the Track Record Period, we have been awarded with an aggregate of 16 projects:

	FY2014	FY2015	Total
Number of projects awarded ( <i>Note 1</i> )			
— Public sector projects	4	2	6
— Private sector projects	<u>8</u>	<u>2</u>	<u>10</u>
	12	4	16
Corresponding amount of original contract sum in respect of all projects awarded ( <i>Note 2</i> )	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
— Public sector projects	130.7	97.9	228.6
— Private sector projects	<u>33.3</u>	<u>2.8</u>	<u>36.1</u>
	164.0	100.7	264.7

*Notes:*

1. Number of projects awarded for each financial year includes all projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.
2. Such amount excludes any subsequent changes due to variation orders (see the paragraph headed “Our services — Operation flow — Variation orders (if any)” above in this section) or contract price adjustments (see the paragraph headed “Customers — Principal terms of engagement — Contract price adjustment mechanism” below in this section).

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Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a project (from the date of engagement to the date of completion) could range from several months to more than three years.

The majority of our revenue during the Track Record Period was derived from public sector projects, i.e. projects that originate from the Government or statutory bodies. During the Track Record Period, we have also undertaken private sector projects, i.e. projects that are not public sector projects.

The following table sets out a breakdown of the number of projects with revenue contribution to us during the Track Record Period by public and private sector projects:

	<b>Number of projects with revenue contribution to us</b>		<b>Corresponding amount of revenue recognised</b>	
	<i>(Note 1)</i>		<i>(Note 2)</i>	
	<b>FY2014</b>	<b>FY2015</b>	<b>FY2014</b>	<b>FY2015</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Public sector projects	8	11	107,852	139,330
Private sector projects	<u>10</u>	<u>7</u>	<u>20,258</u>	<u>17,791</u>
<b>Total</b>	<u><u>18</u></u>	<u><u>18</u></u>	<u><u>128,110</u></u>	<u><u>157,121</u></u>

*Notes:*

1. Projects with revenue contribution to us in both FY2014 and FY2015 are counted in both financial years in the above table. Examples include when our engagement with respect to a project was confirmed during FY2014 while the relevant works were carried out from FY2014 through FY2015.
2. The total amount of revenue in this table does not include consultancy fee derived from our consultancy services.



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The following table sets out a full list of all projects with revenue contribution to us during the Track Record Period:

Project	Customer	Our role	Type(s) of works involved	Date of our commencement of works and actual/proposed date of completion of works	Amount of revenue recognised <i>HK\$'000</i>	% of total revenue of our Group <i>(Note 1)</i>
1.	Architectural Services Department	Main contractor	Slope works	Commencement: 2/12/2013 Completion: 6/6/2014	FY2014: 1,190 FY2015: 341	FY2014: 0.9% FY2015: 0.2%
2.	Customer A <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 1/12/2013 Completion: 27/11/2014	FY2014: 16,905 FY2015: 11,441	FY2014: 13.2% FY2015: 7.3%
3.	Customer B <i>(Note 2)</i>	Main contractor	Foundation works	Commencement: 20/8/2012 Completion: 28/8/2013	FY2014: 6,329 FY2015: -	FY2014: 4.9% FY2015: -
4.	Customer B <i>(Note 2)</i>	Main contractor	General building works	Commencement: 12/11/2013 Completion: 25/11/2015	FY2014: 7,435 FY2015: 12,266	FY2014: 5.8% FY2015: 7.8%
5.	Housing Authority <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 27/6/2012 Completion: 27/12/2014	FY2014: 9,698 FY2015: 10,973	FY2014: 7.6% FY2015: 7.0%
6.	Housing Authority <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 27/12/2014 Completion: 26/6/2017	FY2014: - FY2015: 882	FY2014: - FY2015: 0.6%
7.	A contractor in the construction industry in Hong Kong engaged in, among others, building construction works	Subcontractor	Foundation works	Commencement: 6/10/2014 Completion: 17/4/2015	FY2014: - FY2015: 1,556	FY2014: - FY2015: 1.0%

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Project	Customer	Our role	Type(s) of works involved	Date of our commencement of works and actual/proposed date of completion of works	Amount of revenue recognised <i>HK\$'000</i>	% of total revenue of our Group <i>(Note 1)</i>
8.	A contractor in the construction industry in Hong Kong engaged in, among others, site formation works	Subcontractor	Slope works	Commencement: 16/7/2013 Completion: 31/1/2015	FY2014: 1,537 FY2015: 806	FY2014: 1.2% FY2015: 0.5%
9.	A secondary school in Hong Kong	Main contractor	Foundation works	Commencement: 1/3/2015 Completion: 17/6/2015	FY2014: - FY2015: 1,283	FY2014: - FY2015: 0.8%
10.	A scouting organisation in Hong Kong	Main contractor	General building works	Commencement: 24/4/2014 Completion: 10/10/2014	FY2014: 20 FY2015: 559	FY2014: 0.1% FY2015: 0.4%
11.	CEDD <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 12/10/2012 Completion: 30/10/2015	FY2014: 19,858 FY2015: 28,073	FY2014: 15.5% FY2015: 17.9%
12.	CEDD <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 21/12/2012 Completion: 20/12/2015	FY2014: 15,213 FY2015: 25,197	FY2014: 11.9% FY2015: 16.0%
13.	CEDD <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 8/3/2013 Completion: 18/11/2015	FY2014: 21,440 FY2015: 20,512	FY2014: 16.7% FY2015: 13.0%
14.	CEDD <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 28/3/2014 Completion: 27/9/2016	FY2014: 306 FY2015: 11,107	FY2014: 0.2% FY2015: 7.1%
15.	CEDD <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 12/12/2014 Completion: 11/6/2016	FY2014: - FY2015: 2,528	FY2014: - FY2015: 1.6%

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Project	Customer	Our role	Type(s) of works involved	Date of our commencement of works and actual/proposed date of completion of works	Amount of revenue recognised <i>HK\$'000</i>	% of total revenue of our Group <i>(Note 1)</i>
16.	Lands Department <i>(Note 2)</i>	Main contractor	Slope works	Commencement: 1/3/2013 Completion: 29/2/2016	FY2014: 23,241 FY2015: 26,994	FY2014: 18.1% FY2015: 17.2%
17.	A bank in Hong Kong and subsidiary of England incorporated bank listed on the Main Board of the Stock Exchange	Main contractor	Slope works	Commencement: 10/1/2014 Completion: 13/5/2014	FY2014: 2,580 FY2015: 239	FY2014: 2.0% FY2015: 0.1%
18.	A bank in Hong Kong and subsidiary of England incorporated bank listed on the Main Board of the Stock Exchange	Main contractor	Slope works	Commencement: 24/3/2014 Completion: 25/6/2014	FY2014: 321 FY2015: 626	FY2014: 0.3% FY2015: 0.4%
19.	A bank in Hong Kong and subsidiary of England incorporated bank listed on the Main Board of the Stock Exchange	Main contractor	Slope works	Commencement: 23/12/2014 Completion: 13/2/2015	FY2014: - FY2015: 1,738	FY2014: - FY2015: 1.1%
20.	A property holding company incorporated in BVI and is a subsidiary of a Cayman Islands incorporated company listed on the Main Board of the Stock Exchange	Main contractor	Slope works	Commencement: 13/10/2013 Completion: 19/12/2013	FY2014: 966 FY2015: -	FY2014: 0.8% FY2015: -

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Project	Customer	Our role	Type(s) of works involved	Date of our commencement of works and actual/proposed date of completion of works	Amount of revenue recognised <i>HK\$'000</i>	% of total revenue of our Group <i>(Note 1)</i>
21.	A secondary school in Hong Kong	Main contractor	Slope works	Commencement: 30/9/2013 Completion: 14/11/2013	FY2014: 696 FY2015: -	FY2014: 0.5% FY2015: -
22.	A contractor in the construction industry in Hong Kong engaged in, among others, general building works	Subcontractor	Foundation works	Commencement: 3/7/2013 Completion: 11/10/2013	FY2014: 242 FY2015: -	FY2014: 0.2% FY2015: -
23.	An owners' corporation of a residential property in Hong Kong	Main contractor	Slope works	Commencement: 22/11/2013 Completion: 6/12/2013	FY2014: 133 FY2015: -	FY2014: 0.1% FY2015: -
<b>Total:</b>					<b>FY2014:</b> <b>128,110</b>	<b>FY2014:</b> <b>100.0%</b>
					<b>FY2015:</b> <b>157,121</b>	<b>FY2015:</b> <b>100.0%</b>

*Notes:*

- (1) The calculation of the total revenue of our Group excludes revenue consultancy fee income derived from the provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works.
- (2) This is one of our top five customers during the Track Record Period and for further details, please refer to the paragraph headed "Customers — Top customers" of this section.

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### PROJECTS ON HAND

As at the Latest Practicable Date, we had a total of nine projects on hand (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced).

The following table sets out a full list of all projects on hand as at the Latest Practicable Date:

Customer	Our role	Type(s) of works involved	Date of our commencement of works and proposed date of completion of works	Amount of	Amount of	Amount of
				revenue recognised during Track Record Period	revenue expected to be recognised for FY2016	revenue expected to be recognised after FY2016
				HK\$'000	HK\$'000	HK\$'000
1. Housing Authority (Note)	Main contractor	Slope works	Commencement: 27/12/2014 Completion: 26/6/2017	FY2014: - FY2015: 882	7,654	10,463
2. CEDD (Note)	Main contractor	Slope works	Commencement: 21/12/2012 Completion: 20/12/2015	FY2014: 15,213 FY2015: 25,197	27,081	—
3. CEDD (Note)	Main contractor	Slope works	Commencement: 8/3/2013 Completion: 18/11/2015	FY2014: 21,440 FY2015: 20,512	12,101	—
4. CEDD (Note)	Main contractor	Slope works	Commencement: 28/3/2014 Completion: 27/9/2016	FY2014: 306 FY2015: 11,107	49,687	26,569
5. CEDD (Note)	Main contractor	Slope works	Commencement: 12/12/2014 Completion: 11/6/2016	FY2014: - FY2015: 2,528	61,832	14,529
6. Lands Department (Note)	Main contractor	Slope works	Commencement: 1/3/2013 Completion: 29/2/2016	FY2014: 23,241 FY2015: 26,994	12,305	—
7. Customer B (Note)	Main contractor	General building works	Commencement: 12/11/2013 Completion: 25/11/2015	FY2014: 7,435 FY2015: 12,266	9,990	—

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Customer	Our role	Type(s) of works involved	Date of our commencement of works and proposed date of completion of works	Amount of revenue recognised during Track Record Period <i>HK\$'000</i>	Amount of revenue expected to be recognised for FY2016 <i>HK\$'000</i>	Amount of revenue expected to be recognised after FY2016 <i>HK\$'000</i>
8. CEDD <i>(Note)</i>	Main contractor	Slope works	Commencement: 12/10/2012 Completion: 30/10/2015	FY2014: 19,858 FY2015: 28,073	19,263	—
9. A bank in Hong Kong and subsidiary of England incorporated bank listed on the Main Board of the Stock Exchange	Main contractor	Slope works	Commencement: 28/7/2015 Completion: 3/1/2016	FY2014: — FY2015: —	8,286	—
<b>Total:</b>				<b>FY2014: 87,492</b> <b>FY2015: 127,559</b>	<b>208,199</b>	<b>51,561</b>

*Note:* This is one of our top five customers during the Track Record Period and for further details, please refer to the paragraph headed “Customers — Top customers” of this section.

### LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Set out below is a summary of our material licences and permits for public sector projects and private sector projects.

#### Public sector projects

Fraser Construction, 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 works contracts in the relevant works categories.

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The List of Approved Specialist Contractors for Public Works comprises suppliers of materials and specialist contractors who are approved for supplying materials or carrying out public works in one or more of the 50 categories of specialist works classified by the Development Bureau of the Government. Certain categories (such as Land Piling) are further divided into different groups which are subject to different tender limit pursuant to the Contractor Management Handbook — Revision B published by the Development Bureau of the Government. For instance, approved contractors included in “Land Piling (Group I)” are eligible to tender for contracts up to HK\$3.4 million while those included in “Land Piling (Group II)” (including Fraser Construction) are eligible to tender for contracts of unlimited value. The category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” (in which Fraser Construction is included) is not further divided into groups but contractors in this category may have a probationary status or a confirmed status, where those with a probationary status may take on not more than two Government contracts tendered under the category with total outstanding value of works of not greater than HK\$114 million, and those with a confirmed status is not subject to such condition.

According to the information available on the website of the Development Bureau of the Government as at the Latest Practicable Date, the total numbers of approved contractors included in the List of Approved Specialist Contractors for Public Works under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” and “Land Piling (Group II)” were as follows:

	<b>Number of approved contractors as at the Latest Practicable Date</b>
Landslip Preventive/Remedial Works to Slopes/Retaining Walls	
— on probation	13
— confirmed (including Fraser Construction)	<u>22</u>
Total	<u><u>35</u></u>
Land Piling (Group II)	<u><u>37</u></u>

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The admission and retention as well as the confirmed or probationary status with respect to the List of Approved Specialist Contractors for Public Works are currently subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook — Revision B published by the Development Bureau of the Government. The relevant key criteria are summarised as follows:

(a) ***Key criteria in respect of the “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category with confirmed status***

- Financial criteria
- Having a minimum employed capital (*note 1*) of HK\$8,600,000 and a minimum working capital (*note 2*) of either (a) HK\$8,600,000 if no outstanding contracts or (b) the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. To ascertain that the required financial criteria are met, Fraser Construction is required to submit its audited accounts, statements of outstanding workload and other supplementary information to, and answer all reasonable enquiries from, the Development Bureau of the Government.

*Notes:*

1. Employed capital refers to the shareholders’ funds, which generally includes capital, reserves and retained profits.
2. Working capital refers to the net current asset position (i.e. current assets minus current liabilities).

- Technical and management criteria
- Maintaining the registration as a Registered Specialist Contractor under the sub-register of the “Site Formation Works” category (see the paragraph headed “Licences and permits — Private sector projects” below in this section for further details).
  - Maintaining the relevant quality management system certification (see the paragraph headed “Quality control” below in this section for further details).
  - Having at least one full-time member of management level staff who has a minimum of 5 years of relevant local experience (gained within the past 10 years) in managing a construction firm.



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- Having at least one full-time member of staff with a relevant degree from a Hong Kong university or equivalent and with a minimum of 5 years of local experience in site formation or landslip preventive/mitigation-type works.
- Having at least one full-time member of staff with an ordinary certificate in civil engineering and with a minimum of 5 years of local experience in site formation or landslip preventive/mitigation-type works.

(b) *Key criteria in respect of the “Land Piling (Group II)” category*

Financial criteria

- Having a minimum employed capital of HK\$9,300,000 and a minimum working capital of either (a) HK\$8,600,000 if no outstanding contracts or (b) the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. To ascertain that the required financial criteria are met, Fraser Construction is required to submit its audited accounts, statements of outstanding workload and other supplementary information to, and answer all reasonable enquiries from, the Development Bureau of the Government.

Technical and management criteria

- Maintaining the registration as a Registered Specialist Contractor under the sub-register of the “Foundation Works” category (see the paragraph headed “Licences and permits — Private sector projects” below in this section for further details).
- Maintaining the relevant quality management system certification (see the paragraph headed “Quality control” below in this section for further details).
- Having at least one member of the resident top management with a minimum of 5 years of local experience in managing a construction firm obtained in the past eight years.
- Having at least 2 persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all of the aforesaid requirements.

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If doubts arise about the ability of a contractor to meet the minimum standards generally or for a particular class of works, it may not be allowed to tender for any new work until it can demonstrate that it can meet the required standard. The Secretary for Development of the Government reserves the right to remove any contractor from the List of Approved Specialist Contractors for Public Works or take other regulatory actions against a contractor such as suspension, or where applicable, downgrading from confirmed status to probationary status or demotion to a lower group. However, before deciding on such action, a contractor will be given adequate warning of the action proposed and advised of the reasons for it and given the opportunity to present its views of the matter. Circumstances which may lead to the taking of regulatory actions include but not limited to unsatisfactory performance, failure to submit accounts or meet the financial criteria, poor site safety record, poor environmental performance, failure to submit a valid competitive tender for a period of three years, failure or refusal to implement an accepted tender, misconduct, violation of laws, etc.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any regulatory action from the Development Bureau of the Government and we did not have any historical incidents of non-satisfaction of the requirements for retention on the List of Approved Specialist Contractors for Public Works under the two categories in which Fraser Construction is currently included.

Our Directors confirmed that they do not foresee any legal impediment for Fraser Construction to remain on the List of Approved Specialist Contractors for Public Works under the two categories in which it is currently included.

### **Private sector projects**

Under the Buildings Ordinance, a person is required to appoint a Registered Specialist Contractor to carry out specialized works and to appoint a Registered General Building Contractor to carry out general building works. The duties of a Registered Specialist Contractors and Registered General Building Contractors are: (i) to provide continuous supervision to the carrying out of the works; (ii) to notify the Building Authority of any contravention of the regulations that would result from carrying out the works; and (iii) to comply generally with the Buildings Ordinance. In connection with the aforesaid requirements under the Buildings Ordinance, some of our customers of private sector projects may prefer to engage contractors who are so registered to undertake contract works.

In addition, one of the requirements for Fraser Construction to remain on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” is that it must be registered as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category. Also, one of the requirements for Fraser Construction to remain on the List of Approved Specialist Contractors for Public Works under the category of “Land Piling (Group II)” is that it must be registered as a Registered Specialist Contractor under the sub-register of “Foundation Works” category.

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In view of the above, Fraser Construction, our principal operating subsidiary, has completed the following registrations up to the Latest Practicable Date:

<b>Registration</b>	<b>Granted by</b>	<b>Granted to</b>	<b>Date of first registration</b>	<b>Date of upcoming expiry</b>
Registered General Building Contractor	Buildings Department	Fraser Construction	23 December 1999	21 October 2017
Registered Specialist Contractor — Site Formation Works	Buildings Department	Fraser Construction	6 April 2000	17 January 2018
Registered Specialist Contractor — Foundation Works	Buildings Department	Fraser Construction	27 June 2000	25 April 2018

In order for Fraser Construction to apply for and maintain the aforementioned registrations, Fraser Construction must, pursuant to the Buildings Ordinance and the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, satisfy the Building Authority on various aspects including but not limited to the adequacy of its management structure and the experience and qualifications of its personnel. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for applying for and maintaining the aforementioned registrations.

In particular, Fraser Construction must have a minimum of one “authorised signatory” to act for it for the purpose of the Buildings Ordinance and one “technical director” who shall, among other things, provide technical support for the execution of works and ensure that the works are carried out in accordance with the Buildings Ordinance. As at the Latest Practicable Date, the roles of authorised signatory and technical director of Fraser Construction were both taken up by Mr. Yu. In this connection, we have the following succession and contingency plan in place:

- (i) As at the Latest Practicable Date, Mr. Cheung Kin Keung Martin, our non-executive Director, as well as Mr. Lee Ho Cheong and Mr. Ho Chi Ming, Alvin, each being a member of our senior management, possess the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of authorised signatory of Fraser Construction. In addition, as at the Latest Practicable Date, Mr. Cheung Kin Keung Martin, our non-executive Director, also possesses the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of technical director of Fraser Construction. When necessary, applications will be made to the Buildings Department for Mr. Cheung Kin Keung Martin, Mr. Lee Ho Cheong and/or Mr. Ho Chi Ming, Alvin to take up the role of authorised signatory of Fraser Construction and

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for Mr. Cheung Kin Keung Martin to take up the role of technical director of Fraser Construction. No such applications had been made as at the Latest Practicable Date because of the following reasons:

- (a) We have satisfied the minimum requirement of having one authorised signatory and one technical director as at the Latest Practicable Date.
- (b) We will incur additional costs for the applications and the maintenance of the registrations of additional authorised signatories and technical directors.
- (c) Pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, if there is no authorised signatory acting for a contractor, the contractor is required to suspend all works immediately. Nevertheless, in case of temporary absence of the authorised signatory, the Practice Note for Registered Contractors No. 59 issued by the Buildings Department allows a contractor to nominate another person (who can be an authorised signatory acting for another contractor) to act for it temporarily subject to a temporary acting period of up to 14 days normally (or up to 30 days when extensions are applied for with evidence of special circumstances, such as illness). In addition, the Practice Note for Registered Contractors No. 38 issued by the Buildings Department also provides for fast-track processing of application for the addition of authorised signatory under special circumstances such as sudden illness, accident, death, or resignation without adequate prior notice of the only authorised signatory of a contractor. Subject to the fulfillment of certain conditions including those in relation to the documentary proof of the special circumstances and the qualifications and records of the proposed new authorised signatory, the Building Authority will normally issue the letter of the result of the application within seven working days from the date of receipt of the application under fast-track processing.
- (d) Pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, if there is no technical director acting for a contractor, the contractor is required to suspend all works only if an acceptable replacement is not appointed within a reasonable period of time (though the exact amount of time is not specified). For the processing of application for approval as technical director, the Practice Note for Registered Contractors No. 38 does not specify the amount of time it normally takes but to the best of our Directors' knowledge, the normal processing time for such application is around one month, subject to specific circumstances pertaining to each application.
- (e) Since we have readily available back-up candidates for the positions of authorised signatory and technical director (including, where applicable, Mr. Cheung Kin Keung Martin, Mr. Lee Ho Cheong, Mr. Ho Chi Ming, Alvin, and the independent third party as mentioned in paragraph (ii) below), our Directors consider that the risk of Fraser Construction being required to suspend all works as discussed in points (c) and (d) above is low.

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- (ii) On 18 June 2015, Fraser Construction and an independent third party (who, as at the Latest Practicable Date, is employed as an authorised signatory and technical director of a company registered with the Buildings Department as a Registered Specialist Contractor) executed a deed of employment pursuant to which Fraser Construction and the independent third party agreed that Fraser Construction shall employ the independent third party, and the independent third party shall accept the employment, as Fraser Construction's authorised signatory and technical director with the date of the employment commencing on the seventh business day after Fraser Construction gives a written notification to the independent third party. According to the deed of employment, Fraser Construction has the right but not the obligation to give such written notification at any time within three years from the date of the deed of employment. The Practice Note for Registered Contractors No. 38 issued by the Buildings Department states that except for certain special circumstances, a person who has been accepted by the Building Authority as the authorised signatory or technical director for a registered contractor will not be simultaneously accepted as the authorised signatory or technical director for another contractor. In view of this, the deed of employment requires the independent third party to resign from his original positions as the authorised signatory and technical director of his original employer after receiving the written notification from Fraser Construction and before the commencement of his employment with Fraser Construction. Fraser Construction shall bear for the independent third party the payment of not more than one month's wages in lieu of notice to his original employer as a result of such resignation subject to a maximum amount of HK\$100,000.

If we are appointed by our customer to act as a Registered Specialist Contractor or Registered General Building Contractor and we fail to properly supervise the carrying out of the site works, we and our Directors may be subject to prosecution or disciplinary action, details of which are set out in the section headed "Regulatory overview — Contractor licensing regime and operation — Regulatory actions under the Buildings Ordinance" in this prospectus. Nevertheless, we did not experience any such incidents during the Track Record Period and we have also developed and implemented procedures for operating our business for quality control which are discussed in the paragraph headed "Quality control" below in this section. Please also refer to the section "Risk factors — Risks relating to our business — Failure to properly supervise site works as a Registered Specialist Contractor may result in prosecution or disciplinary action" in this prospectus.

Renewal of the aforementioned registrations is required every three years. Pursuant to the Buildings Ordinance, the Building Authority may refuse an application for renewal of registration (a) if it is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) if the applicant fails to provide relevant information and documentary proof required by the Building Authority. According to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, in considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc.

Our Directors confirmed that they do not foresee any material legal impediment in the renewal of the aforesaid registrations by us.

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### CUSTOMERS

#### Characteristics of our customers

During the Track Record Period, our customers primarily included:

- (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 one which is responsible for the operation and management of certain Chinese temples in Hong Kong; and
- (b) for private sector projects, private corporations and other entities in the private sector, including a private investment company and a bank.

Please refer to the paragraph headed “Projects undertaken during the Track Record Period” above in this section for further information regarding our customers in respect of each of our projects undertaken during the Track Record Period.

#### Principal terms of engagement

Our customers generally engage us for a specific project instead of entering into long-term agreements with us. In general, contracts entered into between us and our customers contain terms and conditions relating to the contract price, contract period, the scope of work and the payment terms. Some of our contracts may also contain retention money clause, contract price adjustment mechanism, performance bonds/liquidated damages requirements, termination clause and maintenance/defect liability period provisions, details of which are discussed below:

##### *Retention money*

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Such percentage generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum for public sector projects and a ceiling of up to 10% of the total contract sum for private sector projects in general. Retention money withheld are normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period.

As at 30 April 2014 and 2015, our retention receivables amounted to approximately HK\$8.7 million and HK\$10.0 million respectively. Please refer to the section headed “Financial information — Net current assets — Trade and other receivables” in this prospectus for a further discussion and analysis regarding our trade and other receivables.

##### *Contract price adjustment mechanism*

During the Track Record Period, some of our contracts for public sector projects provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to price indices such as those listed in the “Index Numbers of the Costs of Labour and Materials used in Public Sector Construction Projects” published by the Census and Statistics Department of the Government.

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When such a contract price adjustment mechanism is included in the contract between us and our customer, we may or may not include a similar mechanism in the contract between us and our subcontractors. In the event that a similar mechanism is not included in the contract between us and our subcontractors, our profit margin may be negatively affected if the contract price to be received by us from our customer is adjusted downward but the subcontracting charges to be paid by us to our subcontractors remain unchanged. Nevertheless, our Directors consider that such risk is immaterial because (i) during the Track Record Period, we had not experienced any downward adjustment; and (ii) for each of FY2014 and FY2015, the aggregate amount of increase in contract price received by us as a result of upward adjustments amounted to approximately HK\$0.9 million and HK\$2.7 million respectively, representing approximately 0.75% and 1.73% of our total revenue for the respective financial year.

### *Performance bonds/liquidated damages requirement*

Some of our customers may require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage (normally ranging from 5% to 10%) of the contract sum in favour of our customers, and to include a liquidated damages clause to protect them against any late completion of works. Such arrangements serve to guarantee the satisfactory completion of the works such that if we fail to perform according to the requirements in the contract, our customers are guaranteed compensation for any monetary loss up to the amount of the performance bond.

In relation to the liquidated damages clause, a clause may be included in the contracts allowing for the extension of time without any liquidated damages penalty under certain circumstances such as poor weather conditions or the issue of variation orders.

When arranging with banks or insurance companies for the issuance of performance bonds, we are normally required to pay up a certain percentage (30% during the Track Record Period) of the amount of the performance bond to the banks or insurance companies in order for them to issue the performance bond in favour of our customers. Such amount is usually released back to us after project completion.

We would take out performance bonds only if it is required by our customer in accordance with the contract terms. Among the 23 projects with revenue contribution to us during the Track Record Period, we had taken out performance bonds in one project. As at 30 April 2014 and 2015, the aggregate amount paid up to the relevant insurance company for the performance bond amounted to HK\$150,000 and nil respectively. As at the Latest Practicable Date, such project had been completed. Accordingly, as at the Latest Practicable Date, there were no outstanding performance bonds taken out by us.

During the Track Record Period and up to the Latest Practicable Date, no performance bonds had been called by our customers by reason of late completion of any of the contracts undertaken by us, and no liquidated damages had been claimed by our customer against us.

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### *Termination*

Generally, our customers are entitled to terminate the contract with us under certain circumstances, such as when we fail without reasonable cause to proceed with the works with due diligence, or fail to remove defective materials or make good defective works after being instructed by our customers.

It is also a standard special condition contained in the work contracts between the Government and a contractor that the Government is entitled to terminate a work contract at any time by notice in writing to the contractor without cause (the “**right to terminate for convenience**”) and such termination shall take effect on a date specified in the notice but without prejudice to the claims of either party in respect of any antecedent breach thereof. According to the guidance of a technical circular issued by the Environment, Transport and Works Bureau of the Government dated 21 July 2004, it is a policy of the Government that the right to terminate for convenience shall only be exercised in very exceptional and justified circumstances.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts by our customers.

### *Maintenance/defects liability period*

Our customers would normally require a maintenance/defects liability period of 12 months during which we are responsible to rectify works defects. We would require an identical defect liability/maintenance period from our subcontractors in respect of the portion of the works completed by the subcontractors.

If any defects are identified, we will agree on a rectification works programme with our customers so that the defects are remedied at the most convenient time. We will then require our relevant subcontractor responsible for that portion of the works to rectify the defects and will bear all the associated rectification costs.

### **Top customers**

For each of FY2014 and FY2015, the percentage of our total revenue attributable to our largest customer amounted to approximately 44.29% and 55.56% respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 93.87% and 95.31% respectively.



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Set out below is a breakdown of our revenue by major customers during the Track Record Period and their respective background information:

*For FY2014:*

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1	CEDD	A Government department which provides public civil engineering services in Hong Kong	Slope works	11	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	56,817	44.29
2	Lands Department	A Government department responsible for all land matters in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	23,241	18.12
3	Customer A	A statutory body responsible for the operation and management of certain Chinese temples in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by cheque	16,905	13.18
4	Customer B	A private investment company in Hong Kong	Foundation works and general building works	3	Within 30 days from the issue of payment certificate; mainly by cheque	13,764	10.73
5	Housing Authority	A statutory body which develops and implements Hong Kong's public housing programme	Slope works	12	Within 21 days from the issue of payment certificate; mainly by cheque	9,698	7.55
Five largest customers combined						120,425	93.87
All other customers						7,870	6.13
Total revenue						<u>128,295</u>	<u>100.0</u>

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For FY2015:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1	CEDD	A Government department which provides public civil engineering services in Hong Kong	Slope works	11	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	87,417	55.56
2	Lands Department	A Government department responsible for all land matters in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by telegraphic transfer	26,994	17.16
3	Customer B	A private investment company in Hong Kong	General building works	3	Within 30 days from the issue of payment certificate; mainly by cheque	12,266	7.80
4	Housing Authority	A statutory body which develops and implements Hong Kong's public housing programme	Slope works	12	Within 21 days from the issue of payment certificate; mainly by cheque	11,854	7.53
5	Customer A	A statutory body responsible for the operation and management of certain Chinese temples in Hong Kong	Slope works	2	Within 21 days from the issue of payment certificate; mainly by cheque	11,441	7.26
Five largest customers combined						149,972	95.31
All other customers						<u>7,374</u>	<u>4.69</u>
Total revenue						<u><u>157,346</u></u>	<u><u>100.0</u></u>

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

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### Customer concentration

For each of FY2014 and FY2015, our revenue generated from contracts awarded by Government departments and statutory bodies represented approximately 84.07% and 88.55% of our Group's total revenue respectively. Our Directors consider that such customer concentration is not uncommon for construction companies in Hong Kong which are mainly engaged in undertaking public works and particularly slope works, and that our Group's business model is sustainable despite such customer concentration due to the following factors:

- (i) Given the geographical landscape (close proximity of slopes to buildings and infrastructure) and climate in Hong Kong (risk of seasonal torrential rainfall), the Government, through the Geotechnical Engineering Office (known as Geotechnical Control Office before 1991) of the CEDD, has been conducting studies and works to reduce landslide risk in Hong Kong since 1977. Since 2010, the Government has implemented the Landslip Prevention and Mitigation Programme on a rolling basis which is still in force as at the Latest Practicable Date (see the section headed "Industry overview — Slope works industry — Landslip Prevention and Mitigation Programme" of this prospectus for further details of the Landslip Prevention and Mitigation Programme). Any necessary landslip prevention and mitigation works for man-made slopes and natural hillside catchments under Government's maintenance responsibility are implemented under the Landslip Prevention and Mitigation Programme. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure its rectification. The Government has stated that it is determined to continue its rigorous efforts to minimize the risk of landslips in Hong Kong to ensure public safety.
- (ii) According to the information available on the CEDD's website, the Geotechnical Engineering Office of the CEDD has spent about HK\$18.9 billion on landslip prevention and mitigation studies and works from 1977 up to 31 March 2015, with about 5,305 Government man-made slopes upgraded, about 5,580 studies of private man-made slopes completed, and mitigation measures for 121 natural hillside catchments implemented.
- (iii) According to the Government's statement upon the launch of the Landslip Prevention and Mitigation Programme in 2010, the Government estimated that the annual expenditure on the Landslip Prevention and Mitigation Programme would be at least HK\$600 million, and the Landslip Prevention and Mitigation Programme would be implemented on a rolling basis annually to upgrade 150 Government man-made slopes, to conduct safety-screening studies on 100 private man-made slopes, and to implement studies and necessary risk mitigation works for 30 natural hillside catchments per year.
- (iv) According to the 2014 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of the CEDD, there are currently about 60,000 sizable man-made slopes in Hong Kong and about two-thirds of these man-made slopes are Government slopes.

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- (v) Contracts for public sector projects are normally awarded through open tendering procedures while our Directors consider that our competitive strengths (in particular, our high performance ratings under the Contractors' Performance Index System) as discussed in the paragraph headed "Competitive strengths" above in this section give us a competitive advantage when tendering for public works contracts.
  
- (vi) To tender for Government works contracts on landslip prevention and mitigation, a contractor must be 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 category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls" (see the paragraph headed "Licences and permits — Public sector projects" in this section for further information). The financial, technical and management requirements for the application and retention on such list may provide a certain level of entry barriers against new entrants from entering the slope works industry according to the Ipsos Report. According to the information available on the website of the Development Bureau of the Government as at the Latest Practicable Date, there were an aggregate of only 35 such approved specialist contractors, among which 13 were on probation and 22 had a confirmed status (including Fraser Construction, our principal operating subsidiary).

### **Collection of our trade receivables and retention receivables**

We had concentration of credit risk as approximately 21% and 57% of our total trade and other receivables as at 30 April 2014 and 2015 respectively were due from our largest customer, and approximately 47% and 65% from our five largest customers. The aggregate amounts of trade and other receivables amounted to approximately HK\$7,837,000 and HK\$20,976,000 from our largest customer, and HK\$17,774,000 and HK\$24,588,000 from our five largest customers, as at 30 April 2014 and 2015 respectively. Despite such concentration, as the majority of our revenue during the Track Record Period was derived from the Government and statutory bodies in Hong Kong, our Directors consider that the credit risk in relation to the collection of our trade receivables and retention receivables is relatively low.

Nevertheless, we have implemented a policy to monitor and evaluate overdue payments on a case-by-case basis and consider the appropriate follow-up actions (including but not limited to issuing payment reminders, actively communicating with customers, and, if necessary, taking legal actions) having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments to us, its financial position as well as the general economic environment.

Please also refer to the section headed "Financial information — Net current assets — Trade and other receivables" in this prospectus for a further discussion and analysis on our trade receivables and retention receivables and our collection periods during the Track Record Period.

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### INVENTORIES

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period.

### SUPPLIERS

#### Characteristics of our suppliers

During the Track Record Period, suppliers of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business included (i) our subcontractors; and (ii) suppliers of construction materials and consumables such as high-tensile steel, structural steel, cement and aggregates. During the Track Record Period, our suppliers were located in Hong Kong and our purchases are denominated in HK\$.

The following table sets out a breakdown of our purchases during the Track Record Period by type of suppliers:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Subcontracting charges	97,454	96.71	127,881	99.12
Purchase of construction materials and consumables	<u>3,313</u>	<u>3.29</u>	<u>1,135</u>	<u>0.88</u>
Total purchases	<u>100,767</u>	<u>100.0</u>	<u>129,016</u>	<u>100.0</u>

Please refer to the section headed “Financial information — Principal components of results of operations — Direct costs” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

#### Top suppliers

For each of FY2014 and FY2015, the percentage of our total purchases from our largest supplier amounted to approximately 19.37% and 28.98% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 78.06% and 83.55% of our total purchases respectively.

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Set out below is a breakdown of our total purchases by the top suppliers of our Group during the Track Record Period and their respective background information:

*For FY2014:*

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier A	Construction contractor	Subcontracting of slope works and foundation works	4	Monthly progress payment with a credit period of 42 days; mainly by cheque	19,514	19.37
2	Supplier B	Construction contractor	Subcontracting of slope works	2	Within 7 days upon receipt of payments by us from our customer; mainly by cheque	15,666	15.55
3	Supplier C	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	14,895	14.78
4	Supplier D	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	14,313	14.20
5	Supplier E	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	14,266	14.16
Five largest suppliers combined						78,654	78.06
All other suppliers						22,113	21.94
Total purchases						<u>100,767</u>	<u>100.0</u>

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For FY2015:

Rank	Supplier	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier C	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	37,392	28.98
2	Supplier D	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	26,094	20.23
3	Supplier A	Construction contractor	Subcontracting of slope works and foundation works	4	Monthly progress payment with a credit period of 42 days; mainly by cheque	19,588	15.18
4	Supplier E	Construction contractor	Subcontracting of slope works	2	Monthly progress payment with a credit period of 42 days; mainly by cheque	14,116	10.94
5	Supplier B	Construction contractor	Subcontracting of slope works	2	Within 7 days upon receipt of payments by us from our customer; mainly by cheque	10,602	8.22
Five largest suppliers combined						107,792	83.55
All other suppliers						<u>21,224</u>	<u>16.45</u>
Total purchases						<u>129,016</u>	<u>100.0</u>

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers. Our Directors confirmed that we did not have any significant disputes with any of our top five suppliers during the Track Record Period.

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### **Supplier concentration**

Our top five suppliers accounted for approximately 78.06% and 83.55% of our total purchases for each of FY2014 and FY2015 respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier because:

- some of the projects undertaken by us were of relatively large contract sum and could last for a relatively long period of time, and when we subcontract a sizeable project to a subcontractor, a substantial amount of subcontracting cost may be payable to such subcontractor, resulting in it becoming one of our largest suppliers for more than one financial year;
- our Directors consider that there is a higher level of reliance by our subcontractors on us than the other way round because there are a number of subcontractors providing similar services in the market but the numbers of approved contractors included in the List of Approved Specialist Contractors for Public Works under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” and “Land Piling (Group II)” were only 35 and 37 respectively as of the Latest Practicable Date; and
- we maintain an internal list of approved subcontractors and there were more than 20 approved subcontractors on our internal list as at the Latest Practicable Date.

### **Reason for subcontracting arrangement**

Our Directors believe that our practice to engage subcontractors to carry out the site works when acting as a main contractor is in line with the usual practices of the construction industry in Hong Kong. Our Directors consider that such subcontracting arrangement is in the interest of our Group because it allows us to (i) select from a pool of subcontractors with different skillsets that suit the requirements of different projects without the need to retain all of them as our employees; (ii) focus on the project management and supervision functions; and (iii) deploy our resources in a more cost-effective manner and without the need to maintain a large workforce of full-time staff.

### **Basis of selection of subcontractors**

We maintain an internal list of approved subcontractors. We carefully evaluate subcontractors and decide whether to include them in our list based on a range of factors such as their technical capability, track records, labour resources, sufficiency of equipment and safety performance. When subcontractors are needed for a particular project, we select subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations.

### **Control over subcontractors**

In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the requirements and provisions set out in the respective main contracts and the relevant laws and regulations, we require our subcontractors to follow the measures set out in our project management manual in relation to quality control, safety and environmental compliance.



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We also send our own personnel to the work site to supervise the works performed by our subcontractors and their compliance with our measures. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed “Quality control”, “Occupational health and safety” and “Environmental compliance” in this section.

In addition, depending on the agreements with our subcontractors, we may withhold a portion of each payment (usually at the rate of 5-10%) to our subcontractors as retention money such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses incurred by us may be charged against the retention money withheld from our subcontractors.

### MARKETING

Our Directors consider that our ability to obtain new businesses primarily hinges on our reputation and track record in the industry and our qualifications as an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the categories of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a confirmed status and “Land Piling (Group II)” and as a Registered Specialist Contractor under the sub-register of “Site Formation Works” and “Foundation Works” categories, and a Registered General Building Contractor.

During the Track Record Period, our marketing activities included placing advertisements and sponsoring certain events in the construction industry in Hong Kong to promote awareness of our Group. For each of FY2014 and FY2015, our total marketing expenses amounted to approximately HK\$24,000 and HK\$33,000 respectively.

Our public sector projects are normally awarded through open tendering procedures and we obtain information on new tender opportunities mainly by (i) reviewing the Government Gazette and the Government’s website on which tender notices from different Government departments are published and (ii) receiving notices of invitation to tender directly from certain Government departments and statutory bodies. Our private sector projects are normally awarded through invited tendering procedures and we obtain information regarding new business opportunities directly from clients by way of invitation letters, phone calls or verbal invitations. Our Directors consider that our competitive strengths as discussed in the paragraph headed “Competitive strengths” in this section could enhance our competitiveness in open tendering and could help us attract customers in private sector.

For further information regarding our process of seeking new business opportunities, please refer to the paragraph headed “Our services — Operation flow” in this section.

### QUALITY CONTROL

Fraser Construction, our principal operating subsidiary, obtained the ISO 9001 certification in April 2001 certifying its quality management system to be in accordance with the requirements of the ISO 9001 standards.

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We obtained the ISO 9001 certification by application and the relevant criteria and requirements for obtaining the ISO 9001 certification include, among others:

- developing and implementing a quality assurance manual which is consistent with the spirit of the ISO 9001 standards and suits our own business; and
- engaging a certification body accredited by the Hong Kong Accreditation Service of the Innovation and Technology Commission of the Government to review the implementation of the quality assurance manual to its satisfaction.

Our business is operated under a set of procedures that conform to the ISO 9001:2008 quality standards. Our procedures specify, among other things, specific work procedures for performing site works as well as management process, tendering process, cost control, project planning, project management and supervision and other operation procedures in order to ensure our work quality. Our workers as well as our subcontractors are required to follow such procedures.

Personnel responsible for our overall quality assurance include Mr. Yu, our executive Director. For details of their biographical information, please refer to the section “Directors and senior management” in this prospectus.

For our quality control measures over our subcontractors, please refer to the paragraph headed “Suppliers — Control over subcontractors” above in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint or request for any kind of compensation from our customers due to quality issue in relation to services provided by us or works performed by our subcontractors.

## OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety systems and measures. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have established a safety management system which follows the OHSAS 18001 standards in order to provide our employees and our subcontractors’ employees with a safe and healthy working environment. Since September 2011, the occupational health and safety management system of Fraser Construction has been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

Pursuant to the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), Fraser Construction is required to develop, implement and maintain a safety management system. An independent safety management audit is also required to be conducted on a semi-annual basis in this connection. During the Track Record Period, we engaged an independent safety auditor registered with the Labour Department to conduct such semi-annual safety audit on Fraser Construction as required under the Factories and Industrial Undertakings (Safety Management) Regulation. In the four semi-annual audits conducted during the Track Record Period, Fraser Construction achieved an average overall score of over 95%.

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We have received repeated commendations from the CEDD in relation to our good safety performance in various contracts. For further information regarding the commendations from CEDD, please refer to the paragraph headed “Awards and recognitions” below in this section.

We maintain an internal record of accidents. The number of accidents that we recorded during the Track Record Period and up to the Latest Practicable Date is summarised in the following table:

	FY2014	FY2015	From 1 May 2015 to the Latest Practicable Date
Number of accidents resulting in injuries of:			
— our employees	1	0	0
— our subcontractors’ employees	2	3	3
	3	3	3

Further details of the aforementioned accidents that led to litigations against us during the Track Record Period and up to the Latest Practicable Date are disclosed in the paragraph headed “Litigation and claims” in this section. Personal injuries suffered by our employees or by our subcontractors’ employees as a result of accidents arising out of and in the course of their employment may lead to litigations in relation to employees’ compensation claims and common law personal injury claims against our Group:

- ***Employees’ compensation claims.*** For information regarding the relevant laws in relation to employees’ compensation claims, please refer to the section headed “Regulatory overview — Labour, health and safety — Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)” of this Prospectus.
- ***Common law personal injury claims.*** An injured employee may also pursue common law personal injury claim (in addition to employees’ compensation claim) if the injury is caused by the employer’s negligence, breach of statutory duty, or other wrongful act or omission. The damages awarded under common law personal injury claims are normally reduced by the value of the compensation paid or payable under the Employees’ Compensation Ordinance. Under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the time limit for an applicant to commence common law personal injury claim is three years from the date on which the cause of action accrued.

We have taken out insurance policies to cover our liabilities under both the Employees’ Compensation Ordinance and at common law for injuries at work in respect of our employees as well as our subcontractors’ employees where we are the main contractor (see the paragraph headed “Insurance — Employees’ compensation insurance” in this section).

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Pursuant to the Employees' Compensation Ordinance and our typical agreements with our customers and/or the insurance companies, accidents and injuries involving employees of our Group and our subcontractors during their course of employment shall be reported to the Labour Department of the Government and/or our customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. However, based on the relevant records kept by us since the commencement of our operation up to the Latest Practicable Date, there were an aggregate of two cases of work injuries which our Group had failed to report to the Commissioner of Labour in Hong Kong within the prescribed time limit, which were not in compliance with the Employees' Compensation Ordinance. We have taken remedial action and filed the notices of work accident with the Commissioner of Labour in Hong Kong subsequently for all these cases. For further details, please refer to the paragraph headed "Business — Non-compliance — Other non-compliances" in this section.

The following table sets out a comparison of the industrial accident rate per 1,000 workers between our Group and the industry average during the two calendar years of 2013 and 2014:

	<b>Industry average (Note 1)</b>	<b>Our Group (Note 2)</b>
<b>From 1 January to 31 December 2013</b>		
Industrial accident rate per 1,000 workers in construction industry	40.8	25.2
Industrial accident fatality rate per 1,000 workers in construction industry	0.277	Nil
<b>From 1 January to 31 December 2014</b>		
Industrial accident rate per 1,000 workers in construction industry	41.9	24.2
Industrial accident fatality rate per 1,000 workers in construction industry	0.242	Nil

*Notes:*

1. The industry average is based on the Occupational Safety and Health Statistics Bulletin Issue No.14 (July 2014) and No.15 (August 2015) published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's accident rate is calculated as the number of accidents during the calendar year divided by the number of site workers as at the end of the calendar year. The number of site workers includes employees of our Group and our subcontractors.

Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

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### ENVIRONMENTAL COMPLIANCE

Our Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong and primarily those in relation to waste disposal during the Track Record Period. For details of the regulatory requirements, please refer to the section "Regulatory overview" in this prospectus.

We are committed to the minimisation of any adverse impact on the environment resulting from our business activities. In order to comply with the application environmental protection laws, we have established an environmental management system in accordance with the ISO 14001 international standards. Since October 2011, the environmental management system of Fraser Construction has been certified to be in accordance with the requirements of the ISO 14001:2004 standards. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

For all of our public sector projects, we are required to prepare an environmental management plan which sets out the measures to be taken in relation to various aspects such as noise reduction, air pollution control, water pollution control and waste management, as well as the responsible personnel to be designated by us to ensure that works are carried out in the interests of environmental protection. We are also required to report monthly on the effectiveness of the implementation of the environmental management plan throughout the duration of the contract. In order to make continual improvement on environmental issues and to cater for the site conditions, we will review and update the aforesaid environmental management plan on a monthly basis or as and when necessary. We require our subcontractors to strictly comply with our environmental protection policy and we have on-site personnel responsible for monitoring the ongoing compliance with the environmental management plan, compiling monthly environmental reports for submission, and providing environmental training for on-site workers.

For each of FY2014 and FY2015, we incurred approximately HK\$0.27 million and HK\$0.49 million respectively in relation to the compliance with applicable environmental requirements. We estimate that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our scale of operation.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

### INSURANCE

During the Track Record Period, we secured insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice.

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Depending on our agreements with our subcontractors on a case-by-case basis, some of the costs of taking out project-related insurance policies may be wholly or partially borne by us and/or by our subcontractors. For each of FY2014 and FY2015, our total insurances premiums incurred were approximately HK\$0.87 million and HK\$0.39 million respectively. The decrease was mainly due to the decrease in the portion of insurance premiums borne by us as agreed with our subcontractors.

### **Employees' compensation insurance**

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). We have secured insurance cover in accordance with such requirement.

Under section 24 of the Employees' Compensation Ordinance, our Group, as a main contractor, will be liable for any accident of the workers of our subcontractors on the work sites. In other words, our Group will be liable for any accident of workers of our subcontractors in addition to our own employees. Accidents of the workers of our subcontractors are also covered by the aforementioned insurance taken out by us.

During the Track Record Period and up to the Latest Practicable Date, the employees' compensation insurance policies when we are a main contractor in Hong Kong provide for a maximum limit of liability of up to HK\$200 million per event.

### **Contractors' all risks insurance**

During the Track Record Period, we have taken out contractors' all risk insurance policies for all projects undertaken by us as main contractor. Contractors' all risk insurance cover our liabilities arising from potential damage to the buildings or structures under our contract works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our contract works by us or by our subcontractors.

### **Other insurance coverage**

In addition, we have also secured insurance coverage against, among other matters, (i) general office risks including loss of or damage to office contents occurring on our office premises; (ii) loss of or damage to our motor vehicles and third-party liability in relation to the use of our motor vehicles; and (iii) loss of or damage to our machinery. In addition, we are covered by the insurance policy of the main contractor when we are a subcontractor in the project.

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### AWARDS AND RECOGNITIONS

The following table summarizes the awards and recognitions obtained by Fraser Construction during the Track Record Period:

<b>Date</b>	<b>Award or recognition</b>	<b>Issuing organization</b>	<b>Description</b>
January 2014	Commendation letter on construction site safety	CEDD	In recognition of our good construction site safety performance in a contract during the quarter ended 31 August 2013
March 2014	Commendation letter on construction site safety	CEDD	In recognition of our good construction site safety performance in a contract during the quarter ended 30 November 2013
June 2014	Commendation letter on construction site safety	CEDD	In recognition of our good construction site safety performance in a contract during the quarter ended 28 February 2014
September 2014	Letter of appreciation	CEDD	In recognition of our strenuous efforts and full cooperation in the handling and prompt responses to certain concerns in relation to certain slope works undertaken by us and our devotion and impressive efforts in maintaining a safe and healthy environment
October 2014	Commendation letter on construction site safety	CEDD	In recognition of our good construction site safety performance in a contract during the quarter ended 31 May 2014
November 2014	Environmental Merit Award	Hong Kong Construction Association	In recognition of the environmental performance of Fraser Construction for the year 2013

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Date	Award or recognition	Issuing organization	Description
January 2015	Commendation letter on construction site safety	CEDD	In recognition of our good construction site safety performance in a contract during the quarter ended 31 August 2014
February 2015	Second runner-up	CEDD	Fraser Construction was awarded the second runner-up in the Best LPM Contractor Competition 2014 under the Landslip Prevention and Mitigation Programme organised by CEDD

## EMPLOYEES

### Number of employees

As at the Latest Practicable Date, we had 71 employees (including our two executive Directors but excluding our one non-executive Director and three independent non-executive Directors). All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions:

	As at 30 April 2013	As at 30 April 2014	As at 30 April 2015	As at the Latest Practicable Date
Directors and general management	3	3	2	2
Administration, accounting and finance	2	2	3	3
Project management and supervision	25	33	43	44
Safety officers	4	4	6	6
Site supporting staff (Note 1)	15	16	18	16
Direct labours (Note 2)	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<u><u>56</u></u>	<u><u>58</u></u>	<u><u>72</u></u>	<u><u>71</u></u>

*Notes:*

1. Site supporting staff mainly include drivers, site clerks and cleaners.
2. Direct labours refer to workers directly employed by us to carry out site works.



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### **Relationship with staff**

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. Therefore, despite our staff turnover rate (as discussed below), our total staff showed an increasing trend during the Track Record Period.

For each of FY2014 and FY2015, our staff turnover rate was approximately 47% and 29% respectively. The relatively high staff turnover rate during the Track Record Period and, in particular, the higher staff turnover rate in FY2014 than in FY2015, were mainly due to:

- (i) the layoff of the small number of our direct labours staff for carrying out site works in FY2014 as we consider that by relying mainly on our continuing practice of engaging subcontractors to carry out site works allows us to (a) select from a pool of subcontractors with different skillsets that suit the requirements of different projects without the need to retain all of them as our employees; (b) focus on the project management and supervision functions; and (c) deploy our resources in a more cost-effective manner and without the need to maintain a large workforce of full-time staff; and
- (ii) the effect of the departure of our project-based staff who were employed for participating in the execution of designated projects.

### **Requirements under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)**

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed “Regulatory overview — Labour, health and safety — Immigration Ordinance” in this prospectus.

We have not been convicted of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director’s knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge.

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To satisfy the aforesaid requirements under the Immigration Ordinance, we have put in place the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers who are not lawfully employable from taking employment on site:

- before employing a person, our human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong;
- our typical agreement with our subcontractor contains a clause requiring our subcontractor to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site;
- the on-site foremen shall be responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site; and
- in addition to the on-site foremen, a dedicated labour officer shall be appointed for Lands Department and CEDD projects who shall be responsible for, among other things, inspecting the personal identification document of each worker and preventing illegal workers from entering the site and from taking employment on site.

### **Training and recruitment policies**

We generally recruit our employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group from time to time.

We provide various types of training to our employees and sponsor our employees to attend various training courses, including those on safety, first aids, and environmental matters. Such training courses include our internal training as well as courses organised by external parties such as the Construction Industry Council, the Occupational Safety and Health Council, and other training providers.

### **Remuneration policy**

The remuneration package our Group offers to employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

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### PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our operations:

Address	Landlord	Gross floor area	Use of the property	Key terms of the tenancy
Room 1121 and 1122, 11/F, Pacific Link Tower (South Mark), 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Mars Glare <i>(Note)</i>	1,733 sq.ft.	For office use	Monthly rental of HK\$29,000 with tenancy period up to April 2016
Carpark #P231 2nd Floor, Pacific Link Tower (South Mark) 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Mars Glare <i>(Note)</i>	N/A	For car parking	Monthly rental of HK\$3,000 with tenancy period up to April 2016

*Note:* Mars Glare is a connected person of our Company. Please refer to section headed “Connected transactions” in this prospectus for further details of our lease arrangement with Mars Glare.

As at 30 April 2015, no single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of Rules 8.01A and 8.01B of the GEM Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group for use in our email system and/or website operations:

Registered owner	Domain name	Registration date	Expiry date
Fraser Construction	fraserconstruction.com.hk	9 March 2007	21 March 2016
Fraser Construction	fraserholdings.com	11 March 2015	11 March 2017

*Note:* Information contained in these websites do not form part of this prospectus.

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Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial positions.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

### NON-COMPLIANCE

Our Directors confirm that save as disclosed below under this paragraph headed “Non-compliance” of this section, we have complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

**Non-compliances with the Predecessor Companies Ordinance and the Companies Ordinance**

Our subsidiaries have inadvertently breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance in the past. The table below summarises the past non-compliances with the requirements of the Predecessor Companies Ordinance and the Companies Ordinance by our subsidiaries:

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 158 of the Predecessor Companies Ordinance	Late filing of Form D2B by Fraser Construction regarding change of address of directors and change of secretary in 1996/1997 and 2004/2005.	The underlying reasons for the non-compliance were (i) inadvertent oversight on the part of our then staff responsible for the preparation of filings with the Companies Registry; and (ii) lack of sufficient procedures to keep track of our filing of different forms required under the Predecessor Companies Ordinance.	The form was filed on 12 June 2015.	As advised by our Legal Counsel, under the Predecessor Companies Ordinance, Fraser Construction and every officer who was in default shall be liable to a potential maximum principal fine of HK\$10,000 and a potential maximum daily default fine of HK\$300 (subject to a statutory limitation of three years) for each offence. As advised by our Legal Counsel, the maximum aggregate fine for Fraser Construction will be approximately HK\$700,000.	Starting from June 2015, our financial controller (whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus) shall be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of all relevant documents required under the Companies Ordinance (including various forms that are required to be filed in at least the following month), as well as reminding the relevant staff to prepare and file all required documents in a timely manner in advance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
				As advised by our Legal Counsel, the chance of prosecution is remote given that the form has been filed with the Companies Registry subsequently. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote.	

Item(s) of non-compliance	Particulars of the non-compliance	Underlying reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Enhanced internal control measures
Non-compliance with section 122 of the Predecessor Companies Ordinance	No profit and loss account and balance sheet were laid before the annual general meeting of 2012 of Fraser Construction.	As the shareholders of Fraser Construction have all along been the directors of Fraser Construction and were fully aware of the financial affairs of Fraser Construction, our staff responsible for liaising with the external accountants failed to require the external accountants to prepare the financial statements in time for formal presentation in the relevant annual general meeting due to inadequate understanding of the relevant requirement under the Predecessor Companies Ordinance. In addition, there was a lack of sufficient procedures to keep track of our compliance status with respect to the timely preparation and formal presentation of the financial statements as required under the Predecessor Companies Ordinance.	N/A	As advised by our Legal Counsel, each of Fraser Construction's directors shall be liable to a potential maximum fine of HK\$300,000 and imprisonment for 12 months under the Predecessor Companies Ordinance.  As advised by our Legal Counsel, the chance of prosecution is remote since (i) even though the financial statements were issued late and were not presented in the annual general meeting of the corresponding year, eventually they have all been laid in another annual general meeting; and (ii) the shareholders of Fraser Construction have all along been directors, so all shareholders were fully aware of the financial affairs of Fraser Construction. Our Legal Counsel is of the view that this is not the worst type of the offence which warrants definite prosecution. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote and the chance of imprisonment for directors is remote.	Starting from April 2015 (when Mr. Yiu Chun Wing joined our Group as our financial controller whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus), our financial controller shall be responsible for the preparation of financial statements of our Company and all of its subsidiaries in a timely manner. In addition, starting from June 2015, our financial controller shall also be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the status of all relevant documents required under the Companies Ordinance (including the preparation status of financial statements that are required to be laid in the following annual general meeting of each company in our Group), and ensuring that the financial statements are properly laid before each annual general meeting in accordance with the Companies Ordinance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 107 of the Predecessor Companies Ordinance and section 664 and Schedule 6 section 1(e) of the Companies Ordinance	Failing to set out the amount of outstanding mortgage in the annual return of 2013 and 2014 of Fraser Construction.	The underlying reasons for the non-compliance were (i) inadvertent omission by the relevant staff responsible for the preparation of the annual returns for the relevant years; and (ii) lack of sufficient procedures to ensure the accuracy and completeness of the information contained in the annual returns before filing.	The amended forms were filed on 17 June 2015 and subsequently further amended forms were filed on 21 July 2015.	As advised by our Legal Counsel, under the Predecessor Companies Ordinance, Fraser Construction and every officer who was in default shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$700 (subject to a statutory limitation of three years) for each offence.  As advised by our Legal Counsel, under the Companies Ordinance, Fraser Construction and every responsible officer shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$1,000 for each offence.  As advised by our Legal Counsel, the maximum aggregate fine for Fraser Construction will be approximately HK\$900,000 under the Predecessor Companies Ordinance and the Companies Ordinance.	Starting from June 2015, the preparation and the review of the annual returns shall be performed by different staffs in order to reduce human errors and omissions. Our administrative staff shall be responsible for preparing the annual returns. Our financial controller, whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus, shall be responsible for reviewing the accuracy and completeness of the information contained in the annual returns prepared by our administrative staff before filing the annual returns with the Companies Registry. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
				As advised by our Legal Counsel, the chance of prosecution is remote given that amendments have been made. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote.	

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 107 of the Predecessor Companies Ordinance	Late filing of annual return (Form AR1) of 1996/1997 of Fraser Construction.	The underlying reasons for the non-compliance were (i) inadvertent oversight by the relevant staff responsible for the preparation of the annual return for the relevant year; and (ii) lack of sufficient procedures to keep track of our filing of different forms required under the Predecessor Companies Ordinance.	The Form AR1 was filed on 12 June 2015 and subsequently further amended forms were filed on 21 July 2015.	As advised by our Legal Counsel, under the Predecessor Companies Ordinance, Fraser Construction and every officer who was in default shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$700 (subject to a statutory limitation of three years) for each offence. As advised by our Legal Counsel, the maximum aggregate fine for Fraser Construction will be approximately HK\$900,000.	Starting from June 2015, our financial controller (whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus) shall be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of all relevant documents required under the Companies Ordinance (including annual returns that are required to be filed in at least the following month), as well as reminding the relevant staff to prepare and file all required documents in a timely manner in advance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
				As advised by our Legal Counsel, the chance of prosecution is remote given that the annual return has been filed with the Companies Registry subsequently. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote.	



<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 107 of the Predecessor Companies Ordinance	Missing of company number on certain pages of the annual returns of 2006 to 2008 of Fraser Construction	The underlying reasons for the non-compliance were (i) inadvertent omission by the relevant staff responsible for the preparation of the annual returns for the relevant years; and (ii) lack of sufficient procedures to ensure the accuracy and completeness of the information contained in the annual returns before filing.	The amended forms were filed on 12 June 2015 and subsequently further amended forms were filed on 21 July 2015.	As advised by our Legal Counsel, under the Predecessor Companies Ordinance, Fraser Construction and every officer who was in default shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$700 (subject to a statutory limitation of three years) for each offence. As advised by our Legal Counsel, the maximum aggregate fine for Fraser Construction will be approximately HK\$2,500,000.	Starting from June 2015, the preparation and the review of the annual returns shall be performed by different staffs in order to reduce human errors and omissions. Our administrative staff shall be responsible for preparing the annual returns. Our financial controller, whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus, shall be responsible for reviewing the accuracy and completeness of the information contained in the annual returns prepared by our administrative staff before filing the annual returns with the Companies Registry. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
				As advised by our Legal Counsel, the chance of prosecution is remote given that the form has been filed with the Companies Registry subsequently. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote.	

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 122 of the Predecessor Companies Ordinance	No profit and loss account and balance sheet were laid before the annual general meetings of 2013 and 2014 of Tubo Tech.	As the shareholders of Tubo Tech have also been the directors of Tubo Tech during the relevant period and were fully aware of the financial affairs of Tubo Tech, our staff responsible for liaising with the external accountants failed to require the external accountants to prepare the financial statements in time for formal presentation in the relevant annual general meetings due to inadequate understanding of the relevant requirement under the Predecessor Companies Ordinance. In addition, there was a lack of sufficient procedures to keep track of our compliance status with respect to the timely preparation and formal presentation of the financial statements as required under the Predecessor Companies Ordinance.	N/A	As advised by our Legal Counsel, each of Tubo Tech's directors shall be liable to a potential aggregate maximum fine of HK\$600,000 and aggregate maximum imprisonment for 24 months.  As advised by our Legal Counsel, the chance of prosecution is remote since the shareholders of Tubo Tech have all along also been the directors of Tubo Tech, so all shareholders were fully aware of the financial affairs of Tubo Tech. Our Legal Counsel is of the view that these are not the worst type of the offence which warrants definite prosecution. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote and the chance of imprisonment for directors is remote.	Starting from April 2015 (when Mr. Yiu Chun Wing joined our Group as our financial controller whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus), our financial controller shall be responsible for the preparation of financial statements of our Company and all of its subsidiaries in a timely manner. In addition, starting from June 2015, our financial controller shall also be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the status of all relevant documents required under the Companies Ordinance (including the preparation status of financial statements that are required to be laid in the following annual general meeting of each company in our Group), and ensuring that the financial statements are properly laid before each annual general meeting in accordance with the Companies Ordinance. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 107 of the Predecessor Companies Ordinance and section 664 and Schedule 6 section 1(e) of the Companies Ordinance	Certain missing information in the annual returns of 2004, 2005, 2008 to 2014 of Tubo Tech, including Chinese name, email address, particulars of a director, etc.	The underlying reasons for the non-compliance were (i) inadvertent omission by the relevant staff responsible for the preparation of the annual returns; and (ii) lack of sufficient procedures to ensure the accuracy and completeness of the information contained in the annual returns.	The amended forms were filed on 17 June 2015.	As advised by our Legal Counsel, under the Predecessor Companies Ordinance, Tubo Tech and every officer who was in default shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$700 (subject to a statutory limitation of three years) for each offence.  As advised by our Legal Counsel, under the Companies Ordinance, Tubo Tech and every responsible officer shall be liable to a potential maximum principal fine of HK\$50,000 and a potential maximum daily default fine of HK\$1,000 for each offence.  As advised by our Legal Counsel, the maximum aggregate fine for Tubo Tech will be approximately HK\$6,200,000 under the Predecessor Companies Ordinance and the Companies Ordinance.	Starting from June 2015, the preparation and the review of the annual returns shall be performed by different staffs in order to reduce human errors and omissions. Our administrative staff shall be responsible for preparing the annual returns. Our financial controller, whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus, shall be responsible for reviewing the accuracy and completeness of the information contained in the annual returns prepared by our administrative staff before filing the annual returns with the Companies Registry. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
				As advised by our Legal Counsel, the chance of prosecution is remote given that the form has been filed with the Companies Registry. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence being imposed is remote.	

**Other non-compliances**

Fraser Construction has inadvertently breached certain ordinances in the past. Details of the breaches are as follows:-

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with sections 52(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")	We did not give the required notifications by an employer of employees who commence to be employed (Forms 56E) under the IRO to the Commissioner of Inland Revenue after the date of commencement of employment of our employees during the period from 1995 to 2015.	Our human resources and administrative staff responsible for employee records were not familiar with, and were not made aware of, the relevant law and regulations for the period from 1995 to 2015. In addition, there was a lack of procedures for the filing of Form 56E required under the IRO.	Upon inquiry with the Inland Revenue Department in early June 2015 by calling the general enquiry hotline of the Inland Revenue Department, Fraser Construction was informed that the outstanding Forms 56E were not required to be submitted since the relevant employer's return of remuneration & pensions (Forms 56B) had been submitted.	As advised by our Legal Counsel, under the IRO, Fraser Construction shall be liable to a potential maximum penalty of HK\$10,000 for each offence. As advised by our Legal Counsel, the maximum aggregate fine for Fraser Construction will be approximately HK\$1,300,000.	Starting from June 2015, written procedures have been put in place requiring our human resources and administrative department to prepare and submit Form 56E to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual in accordance with the requirement of the IRO. In addition, our financial controller (whose qualifications and experience are set out in the section headed "Directors and senior management" in this prospectus) shall be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of Forms 56E (including those that are required to be filed after the commencement of employment of any new employees), and reminding our human resources and administrative department to submit any required Forms 56E within the prescribed time limit in advance of the submission deadline. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.

<b>Item(s) of non-compliance</b>	<b>Particulars of the non-compliance</b>	<b>Underlying reasons for the non-compliance</b>	<b>Remedial actions</b>	<b>Potential maximum penalty/fine</b>	<b>Enhanced internal control measures</b>
Non-compliance with section 7 of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)	Failing to enroll the director Ms. Wong in a Mandatory Provident Fund (“MPF”) scheme for the period from May 2005 to May 2015.	As Ms. Wong first joined Fraser Construction in around 2005 as a part-time staff, our human resources and administrative staff responsible for MPF-related matters mistakenly believed that there was no need to enroll Ms. Wong into a MPF scheme due to the lack of adequate understanding of the relevant requirement under the Mandatory Provident Fund Schemes Ordinance. Further, they omitted to do so when Ms. Wong became a full-time staff subsequently in around 2007 due to inadvertent oversight. In addition, there was a lack of sufficient procedures to keep track of our compliance status with respect to the enrollment of staff into MPF schemes as required under the Mandatory Provident Fund Schemes Ordinance.	The outstanding MPF contributions for the relevant period have been made up on 11 June 2015.	As advised by our Legal Counsel, Fraser Construction shall be liable to a potential maximum penalty of HK\$100,000 and each of the directors of Fraser Construction shall be liable to a potential maximum penalty of HK\$100,000 and imprisonment for 6 months.	Starting from June 2015, all of our MPF-related matters shall be handled by our financial controller (whose qualifications and experience are set out in the section headed “Directors and senior management” in this prospectus), who shall report to our Audit Committee on an annual basis on our compliance with the MPF laws and regulations. Our financial controller shall also ensure that all MPF contributions have been properly and timely made in accordance with the Mandatory Provident Fund Schemes Ordinance by maintaining a MPF enrollment and contribution record for each employee (including full-time and part-time employee) and updating such record on a monthly basis and upon the commencement of employment of any new employees. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.
		As advised by our Legal Counsel, the chance of prosecution is remote given that (i) it is not the case of an employer trying to deprive the entitlement of an employee under the Mandatory Provident Fund Schemes Ordinance; and (ii) all outstanding amounts of contributions have already been made up. Even if there is any prosecution, our Legal Counsel is of the view that the chance of maximum sentence and the chance of an imprisonment sentence being imposed is remote.			

Item(s) of non-compliance	Particulars of the non-compliance	Underlying reasons for the non-compliance	Remedial actions	Potential maximum penalty/fine	Enhanced internal control measures
Non-compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)	Failing to give notice to the Commissioner of Labour of two accidents which resulted in injury of Fraser Construction's employees within 14 days after the respective accidents in July 2012 <sup>(Note 1)</sup> and November 2013 <sup>(Note 2)</sup> .	The non-compliance was not an intentional act to deprive of the relevant employees' compensations under the Employees' Compensation Ordinance but was rather due to the making of periodical payments and/or medical expenses reimbursements by Fraser Construction to the relevant employees in view of the not particularly serious nature of the injuries, resulting in our Group's administrative staff having mistakenly believed that no further reporting to the Commissioner of Labour would be necessary under the Employees' Compensation Ordinance. In addition, there was also a lack of sufficient procedures to keep track of our compliance status with respect to the reporting of work injury cases as required under the Employees' Compensation Ordinance.	The notices were given to the Commissioner of Labour on 17 June 2015.	As advised by our Litigation Company Lawyer, Fraser Construction shall be liable to a potential maximum fine of HK\$50,000 for each offence. As advised by our Litigation Company Lawyer, the maximum aggregate fine for Fraser Construction will be HK\$100,000. As advised by our Litigation Company Lawyer, given that Fraser Construction has taken remedial action by filing the notices to Commissioner of Labour subsequently in relation to the two injury cases, the chance of Fraser Construction being prosecuted and the chance of maximum sentence being imposed are remote.	Starting from June 2015, we have implemented enhanced procedures for the timely and due reporting of all work-related accidents, including, in particular, that (i) upon occurrence of a work-related accident, the involved workers shall promptly report the accident to the on-site foreman and/or project manager, who shall gather the details and report the matters to our human resources and administrative department within the same day; (ii) regardless of the seriousness of the injury caused by the accident, our human resources and administrative department shall submit notification of the accident to the Commissioner of Labour in Hong Kong by filing in the prescribed form in accordance with the Employees' Compensation Ordinance within 14 days after we become aware of the accident, or, in case of a fatal accident, within 7 days; and (iii) our human resources and administrative department shall maintain a register of all accidents to be updated on a continuous basis summarizing the key particulars of the accidents and details of the reporting procedures undertaken for the review by our Legal Compliance Committee on a quarterly basis. In addition, training has been provided to the relevant staff regarding the relevant requirement under the law and the relevant enhanced internal control measures.

*Notes:*

- On 17 July 2012, an employee of Fraser Construction suffered injury on his left ring finger as a result of slipping. Fraser Construction has made periodical payment for the sick leave period in the aggregate amount of HK\$5,280 to the injured employee.
- On 30 November 2013, an employee of Fraser Construction broke his right ankle as a result of slipping. Fraser Construction has made periodical payment for the sick leave period and medical expenses reimbursements, in the aggregate amount of HK\$9,353 to the injured employee without reporting to or filing a claim with the relevant insurer (see the paragraph headed "Litigation and claims — Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date" in this section for further information).

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### **No provision**

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliance incidents as our Directors have taken into consideration the following: (i) as confirmed by our Directors, we had not received any notices for any fines or penalties in relation to the aforementioned non-compliance incidents up to the Latest Practicable Date; (ii) as mentioned above, our Legal Counsel or our Litigation Company Lawyer advised that the chance of prosecution in respect of the aforementioned non-compliance incidents is remote; (iii) even if there is any prosecution, the actual amount of penalty cannot be estimated with reasonable accuracy; and (iv) our Controlling Shareholders shall indemnify our Group as mentioned below in relation to the aforementioned non-compliance incidents.

Based on the advice of our Legal Counsel or our Litigation Company Lawyer on each of the non-compliances as abovementioned, our Directors are of the view that there would be no material impact on our Group's operation or financial positions as a result of the above instances of non-compliance.

### **Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders, collectively as the indemnifiers, have entered into the Deed of Indemnity in favour of our Company, under which the indemnifiers jointly and severally covenant and undertake with our Company to indemnify our Group against losses, liabilities, damages, costs, claims and expenses incurred by our Group in relation to these non-compliance matters on or before the date on which the Placing becomes unconditional. More details of the Deed of Indemnity are set out in the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus.

### **Internal control measures to prevent the recurrence of non-compliance incidents**

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has, after taking into account the recommendations made by CT Partners, adopted the following measures:

1. On 14 October 2015, we established the Legal Compliance Committee for the purpose of assisting in overseeing our compliance with laws and regulations relevant to our operations as well as the adequacy and effectiveness of our regulatory compliance procedures and system. The Legal Compliance Committee comprises (i) Ms. Wong, the compliance officer of our Company and an executive Director; (ii) Mr. Yiu Chun Wing, our financial controller and company secretary; (iii) Mr. Law Yiu Sing, an independent non-executive Director; (iv) Mr. Wong Kwok Chuen, an independent non-executive Director; and (v) Mr. Wong Law Fai, an independent non-executive Director. Please refer to the section headed "Directors and senior management" in this prospectus for further details on the qualifications and

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experience of the members of the Legal Compliance Committee. The Legal Compliance Committee shall:

- review the effectiveness of our regulatory compliance procedures and system, including operational and compliance procedures and risk management functions;
  - assess and review our adequacy of resources, staff qualifications and experience, and training programmes in relation to our regulatory compliance functions;
  - assist the Audit Committee in overseeing our corporate governance functions, which includes (i) developing and reviewing our policies and practices on corporate governance and making recommendations to the Audit Committee on a quarterly basis; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring our policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing our compliance with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules and the disclosure in the Corporate Governance Report;
  - receive and handle any actual or suspected non-compliance matters reported by our employees and engage external professional advisers, such as legal advisers and accountants, to assist in the preparation of reports and recommendations in respect of such actual or suspected non-compliance matters; and
  - review the effectiveness of our ongoing measures to prevent future non-compliance incidents and provide updates on the applicable laws related to our business operations with the assistance of external professional parties including legal advisers as to Hong Kong law, compliance adviser, and internal control consultant from time to time.
2. With regard to the non-compliance in relation to the Companies Ordinance and the Predecessor Companies Ordinance, starting from June 2015, our financial controller shall be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of all relevant documents and filings required under the Companies Ordinance and the Predecessor Companies Ordinance, and we will seek legal advice from external legal advisers to ensure ongoing compliance.
  3. With regard to the non-compliance in relation to the Inland Revenue Ordinance, starting from June 2015, our human resources and administrative department shall be responsible for the preparation and submission of Form 56E to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual in accordance with the requirement of the Inland Revenue Ordinance. Our financial controller shall be responsible for keeping a filing register up to date on a monthly basis in respect of, among other things, the preparation and filing status of Forms 56E, and reminding our human resources and administrative department to submit any required Forms 56E within the prescribed time limit.



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4. With regard to the non-compliance in relation to the Mandatory Provident Fund Schemes Ordinance, starting from June 2015, all Mandatory Provident Funds matters of our Group shall be handled by our financial controller, who shall report to our Audit Committee on an annual basis on our compliance with the Mandatory Provident Funds laws and regulations. Our financial controller shall also ensure all Mandatory Provident Fund contributions have been properly and timely made in accordance with the Mandatory Provident Fund Schemes Ordinance and liaise with our Mandatory Provident Funds service provider from time to time to obtain updated regulations and requirements on Mandatory Provident Fund schemes and related matters.
5. With regard to the non-compliance in relation to the Employees' Compensation Ordinance, in June 2015, we established a compliance manual which shall be observed by our Directors and employees. The department head of each of our departments shall be responsible for making all relevant staff aware of the compliance manual and for ensuring that they comply with the principles in the manual. The compliance manual contains enhanced procedures that our staff have to follow in relation to, among others, timely and due report of work injuries to the Commissioner of Labour to ensure compliance with the Employees' Compensation Ordinance, and to the relevant insurer in accordance with the relevant terms of the insurance policy. Such reporting procedures include the following:
  - Upon occurrence of a work-related accident, the involved workers shall promptly report the accident to the on-site foreman and/or project manager. Details of the accident including the date, time, location, causes, identity of the involved workers, etc. shall be gathered by the on-site foreman and/or project manager. The on-site foreman and/or project manager shall report the matter to our human resources and administrative department within the same day. Our human resources and administrative department shall maintain proper record of the accident and the relevant details.
  - Regardless of the seriousness of the injury caused by the accident, our human resources and administrative department shall submit notification of the accident to the Commissioner of Labour in Hong Kong by filling in the prescribed form in accordance with Employees' Compensation Ordinance within 14 days after we become aware of the accident, or, in case of a fatal accident, within 7 days. Our human resources and administrative department shall obtain acknowledgement of receipt from the Labour Department for record.
  - Our human resources and administrative department shall also notify the relevant insurer of the accident and shall obtain acknowledgement of receipt from the insurer or its solicitors for record. Our human resources and administrative department shall also ensure that all correspondences with the Labour Department are provided to the insurer.
  - Our human resources and administrative department shall maintain a register of all accidents summarizing the key particulars of the accidents and details of the reporting procedures undertaken. Such register shall be submitted to our Legal Compliance Committee for review on a quarterly basis.

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6. Regular safety training given by external safety consultant will be arranged at least annually for all staff members so as to discuss and study the relevant regulatory and safety requirements in relation to our responsibilities and duties.
7. In June 2015, our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
8. We will engage CT Partners to have an annual review on the adequacy and effectiveness of our internal control system for FY2016, including areas of financial, operational, compliance and risk management.
9. On 14 October 2015, we established the Audit Committee which comprises all independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Wong Kwok Chuen and Mr. Wong Law Fai. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations including, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations.
10. Our Company has engaged Messis Capital Limited as our compliance adviser and will, upon Listing, engage legal advisers as to Hong Kong laws, which will advise and assist the Legal Compliance Committee and our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.
11. Regular training sessions to be given by external legal advisers will be arranged for all of our Directors on at least an annual basis in order to develop and refresh their relevant knowledge and skills in relation to compliance matters.
12. Since the establishment of the Legal Compliance Committee, procedures have been put in place to allow all of our employees to report any actual or suspected non-compliance matter directly to the Legal Compliance Committee via compliance access points as specified in our compliance manual (including a physical mailbox and a specified email address) on a confidential basis.
13. When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

### **Review by CT Partners**

In preparation for the Listing, in December 2014, we engaged CT Partners, an independent internal control adviser, to perform an evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management.

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CT Partners is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes members of the Hong Kong Institute of Certified Public Accountants, a Certified Internal Auditor, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Associations of Chartered Certified Accountants, an associate member of the Association of International Accountants, a member of Certified General Accountants Association of British Columbia, and an associate of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

CT Partners performed the internal control evaluation in March 2015. Upon completion of the evaluation by CT Partners, CT Partners identified a number of findings. The significant findings, together with the corresponding recommendations from CT Partners regarding internal control improvement measures include:

### **Findings**

Our Group did not have procedures for notifying the Commissioner of Inland Revenue for the commencement of employment of our employees by using the prescribed forms (Form 56E) within the prescribed time limit, resulting in our non-compliance with the relevant requirement under the Inland Revenue Ordinance (see the paragraph headed “Other non-compliances” above of this section for further details).

We did not strictly implement our internal procedures for reporting work accident cases to the Commissioner of Labour in Hong Kong, resulting in two cases that constituted non-compliance with the relevant requirements under the Employees’ Compensation Ordinance (see the paragraph headed “Other non-compliances” above of this section for further details).

We agreed to fully implement the internal control improvement measures recommended by CT Partners. CT Partners also completed a first follow-up review in June 2015 and a further follow-up review in September 2015 on the implementation status of the recommended measures. Based on the follow-up reviews, CT Partners concluded that our Group had properly implemented the recommended measures.

### **Recommendations**

Our Group should set up and implement procedures for the due filing of Form 56E. Please refer to the paragraph headed “Internal control measures to prevent the recurrence of non-compliance incidents” above of this section for details of such procedures.

Our Group should establish a written compliance manual containing enhanced procedures for reporting work accident cases. Please refer to the paragraph headed “Internal control measures to prevent the recurrence of non-compliance incidents” above of this section for details of such procedures.

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In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs for preventing the recurrence of the aforementioned non-compliance incidents. Key measures adopted by our Group pursuant to the recommendations of CT Partners are disclosed above.

Having considered that:

- (i) the findings identified by CT Partners during its evaluation of our internal control system in March 2015 are, in the opinion of CT Partners, not of the highest grading of risk in terms of the combined effect of likelihood and seriousness and therefore do not reflect negatively on the adequacy and effectiveness of our Group's internal control system in any material respect;
- (ii) based on the follow-up reviews completed by CT Partners, CT Partners concluded that our Group had properly implemented the recommended internal control improvement measures;
- (iii) regarding our past non-compliance incidents, CT Partners has provided recommendations to our internal control measures for prevention of the recurrence of the non-compliance incidents (as mentioned in the paragraph headed "Internal control measures to prevent the recurrence of non-compliance incidents" above), which are fully adopted by our Group; and
- (iv) there has not been any recurrence of similar non-compliance incident after the implementation of the recommended internal control improvement measures up to the Latest Practicable Date,

CT Partners is of the view, and our Directors and the Sponsor concur, that there are no material deficiencies in the adequacy and effectiveness of our Group's internal control system.

### **Impact of the non-compliance with the Employees' Compensation Ordinance on our ability to tender for public sector projects**

Our Directors are of the view, and the Sponsor concurs, that the two non-compliance incidents with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) detailed above (the "**EC Non-compliance**") would not have any material impact on our Group's ability to tender for Government projects going forward (including but not limited to our performance rating in the Development Bureau's Contractors' Performance Index System, our tender success rate and renewal of our licences) with basis detailed below:

#### *(A) Performance rating under the Contractors' Performance Index System and tender success rate*

As detailed in the paragraph headed "Market and competition" in this section above, when evaluating a tender for Government works contracts, the tenderer's performance rating under the Contractors' Performance Index System is taken into account under the "formula approach". Such performance rating is derived from the performance scores given in the reports written on the

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tenderer's performance in Government works contracts in the relevant reporting periods. Such reports are only written on Government works contracts which, for the purpose of the Contractors' Performance Index System, do not include private sector projects or Housing Authority projects. The EC Non-compliance arose from a private sector project and a Housing Authority project, on which no reports were written for the purpose of calculating our performance rating under the Contractors' Performance Index System.

In addition, according to the standard general conditions of tender for works contract as accessible from the website of the Development Bureau of the Government, a tender will not be considered (and thus not regarded as a conforming tender for the aforesaid "formula approach") if the tenderer has more than a certain number of convictions within a certain period of time under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) or under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The general conditions of tender also require the tenderer's consent and authorization for the release of conviction records in relation to a range of different Ordinances, namely, section 27 of the Public Health and Municipal Services Ordinance, section 171 and section 38A of the Immigration Ordinance, Employment Ordinance, Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Shipping and Port Control Ordinance, Merchant Shipping (Local Vessels) Ordinance, Air Pollution Control Ordinance, Noise Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Dumping at Sea Ordinance, Ozone Layer Protection Ordinance, Environmental Impact Assessment Ordinance, Hazardous Chemicals Control Ordinance, and Land (Miscellaneous Provisions) Ordinance. However, no mention is made of conviction records under the Employees' Compensation Ordinance in the standard general conditions of tender.

Having considered that:

- (a) the EC Non-compliance arose from a private sector project and a Housing Authority project, on which no reports were written for the purpose of calculating our performance rating under the Contractors' Performance Index System;
- (b) the injuries involved in the EC Non-compliance, being injury on left ring finger as a result of slipping in one case and injury on right ankle as a result of slipping in another case, were not particularly serious in nature;
- (c) the EC Non-compliance were not intentional acts to deprive of the relevant employees' compensations under the Employees' Compensation Ordinance, but were rather due to the making of periodical payments and/or medical expenses reimbursements by Fraser Construction to the relevant employees in view of the not particularly serious nature of the injuries, resulting in our human resources and administrative staff responsible for handling work injury related matters having mistakenly believed that no further reporting to the Commissioner of Labour would be necessary under the Employees' Compensation Ordinance due to the lack of timely and professional advice;
- (d) appropriate remedial actions in respect of the EC Non-compliance have been subsequently undertaken by filing the relevant notices of the accidents with the Commissioner of Labour in Hong Kong;

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- (e) as advised by our Litigation Company Lawyer, the chance of Fraser Construction being prosecuted for the EC Non-compliance is remote; and
- (f) although the standard general conditions of tender as accessible from the website of the Development Bureau of the Government requires the tenderer's consent and authorization for the release of conviction records in relation to a range of different Ordinances and also expressly states that a tender will not be considered if the tenderer has certain conviction records, no mention is made of conviction records under the Employees' Compensation Ordinance in the standard general conditions of tender,

our Directors consider, and the Sponsor concurs, that the EC Non-compliance would not have any material impact on our Group's performance ratings under the Contractors' Performance Index System, or our tender success rate for public sector projects going forward.

### *(B) Renewal of licences*

In respect of our retention on the List of Approved Specialist Contractors for Public Works, regulatory actions by the Development Bureau involving the removal, suspension and downgrading of a contractor's status may be taken against a contractor and automatic suspension may be resulted under certain circumstances (see the section headed "Regulatory overview — Contractor licensing regime and operation — Regulatory actions against contractors by the Development Bureau" for further details). Although violation of laws is one of the general circumstances that may result in such regulatory actions, the "Contractor Management Handbook — Revision B" issued by the Development Bureau of the Government expressly states certain specific offences and misconducts that it would take into account in taking regulatory actions, including conviction under the Employment Ordinance, the Immigration Ordinance, section 27 of the Public Health and Municipal Services Ordinance, and certain site safety or environmental offences, as well as unlawful behaviour involving corruption or fraud or breach of faith. However, conviction under the Employees' Compensation Ordinance is not expressly stated as one of the specific circumstances that will result in definite regulatory actions.

In respect of our renewal of our registrations as a Registered General Building Contractor and as a Registered Specialist Contractor, we are required under the Buildings Ordinance to complete a specified form upon renewal in which certain types of conviction and disciplinary records are required to be declared (see the section headed "Regulatory overview — Contractor licensing regime and operation — Registered General Building Contractor and Registered Specialist Contractor" for further details), which, however, do not include conviction records under the Employees' Compensation Ordinance. In addition, pursuant to the Practice Notes for Registered Contractors issued by the Buildings Department, in respect of applications for renewal of registration of contractors, a contractor is generally not required to attend an interview except, among other situations, in circumstances that require further consideration on the suitability of the contractor's registration, including but not limited to the circumstances involving certain types of convictions, which, however, also do not include convictions under the Employees' Compensation Ordinance.

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Our Directors are of the view, and the Sponsor concurs, that our Group's renewal of licences and our retention of our registration status would not be materially affected by the EC Non-compliance given that:

- (i) the EC Non-compliance only involved two work injuries which were not particularly serious in nature;
- (ii) the EC Non-compliance did not fall under categories of offences which, if convicted, would (1) warrant automatic suspension from tendering or result in definite regulatory actions in accordance with the policies of the Development Bureau in respect of our retention on the List of Approved Specialist Contractors for Public Works or (2) be required to be declared or result in us having to attend an interview when renewing our registrations with the Buildings Department; and
- (iii) the chance of prosecution for the EC Non-compliance is remote as advised by our Litigation Company Lawyer.

### **View of our Directors and the Sponsor**

As our Group's non-compliances were caused by, among other factors, lack of sufficient procedures in relation to the various matters in question and some of our non-compliances were repeated and/or continued over a long period of time, our Directors and the Sponsor are of the view that our non-compliances were systemic non-compliances. Despite so, our Directors and the Sponsor are of the view that our Group's non-compliances have no material negative impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules nor on our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules. In arriving at such view, our Directors and the Sponsor have taken into consideration the following:

- (i) The non-compliances were not particularly serious in nature given the facts that:
  - (a) our non-compliances with the Predecessor Companies Ordinance and the Companies Ordinance mainly involved inadvertent administrative omissions or oversights in relation to the preparation and filing of the relevant documents required under the Predecessor Companies Ordinance and the Companies Ordinance, which, in the opinion of our Legal Counsel, do not warrant definite prosecution in some cases and, in other cases, the chance of prosecution is remote;
  - (b) our non-compliance with section 52(4) of the Inland Revenue Ordinance relates to our Group's failure to give notifications to the Commissioner of Inland Revenue for the commencement of employment of our employees by using the prescribed forms (i.e. Form 56E) within the prescribed time limit, which, in the opinion of our Legal Counsel, is quite minor and technical in nature, and since our Group had duly filed the relevant employer's returns of remuneration and pension (Forms 56B) in respect of the subject employees, the Inland Revenue Department was kept informed of the employment affairs of our Group despite our failure to file Forms 56E and thus the chance of prosecution is remote;

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- (c) our non-compliance with section 7 of the Mandatory Provident Fund Schemes Ordinance relates to our failure to enroll Ms. Wong in a Mandatory Provident Fund scheme, which was due to administrative mistake and oversight, and given that it is not a case of an employer trying to deprive the entitlement of an employee under the Mandatory Provident Fund Schemes Ordinance and that all outstanding amounts of contributions have already been subsequently made up, our Legal Counsel consider that the chance of prosecution is remote; and
  - (d) our non-compliance with the Employees' Compensation Ordinance relates to our Group's failure to report certain employees' work injury cases to the Commissioner of Labour, which was not an intentional act to deprive of the relevant employees' compensations under the Employees' Compensation Ordinance but was rather due to the making of periodical payments and/or medical expenses reimbursements by Fraser Construction to the relevant employees in view of the not particularly serious nature of the injuries, resulting in our Group's administrative staff having mistakenly believed that no further reporting to the Commissioner of Labour would be necessary under the Employees' Compensation Ordinance, and as advised by our Litigation Company Lawyer, the chance of prosecution is remote.
- (ii) The non-compliances were not willful and did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of our Directors.
  - (iii) Our non-compliances were caused by, among other factors, lack of sufficient procedures in relation to the various matters in question. Fraser Construction and Tubo Tech were private companies and had less stringent internal controls when the non-compliances took place.
  - (iv) Pursuant to the advice of our Legal Counsel or Litigation Company Lawyer, the chance of prosecution in respect of each of the non-compliances is remote, and if there is any prosecution, the chance of maximum penalty being imposed is remote. Therefore, our Directors and the Sponsor consider that the non-compliances would not have any material impact on our Group's operation or financial positions.
  - (v) After becoming aware of the non-compliance incidents in May 2015, our Directors have perused the legal opinions issued by our Legal Counsel and our Litigation Company Lawyer concerning the non-compliance incidents and familiarised themselves with the relevant laws and regulations.
  - (vi) After becoming aware of the non-compliances and after considering the advice of our Litigation Company Lawyer and our Legal Counsel, our Directors have taken relevant remedial actions where necessary and appropriate to the extent practicable.
  - (vii) Our Directors have attended directors' training session conducted by our legal advisers as to Hong Kong law on, among other matters, the responsibilities of a director of a company listed on the Stock Exchange including the requirements under the GEM Listing Rules.



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- (viii) Certain enhanced internal control measures have been put in place since June 2015 as discussed above in order to prevent recurrence of similar non-compliant incidents, and there have not been any recurrence of similar non-compliance incidents after the adoption and implementation of such enhanced internal control measures up to the Latest Practicable Date.
- (ix) CT Partners completed a first follow-up review in June 2015 and a further follow-up review in September 2015 on the implementation status of the enhanced internal control measures. Based on the follow-up reviews, CT Partners concluded that our Group had properly implemented the enhanced internal control measures (save for certain measures that were to be implemented after CT Partners' follow-up review including the establishment of the Audit Committee and the Legal Compliance Committee, the engagement of legal advisers as to Hong Kong laws upon Listing, and the training for our executive Directors after Listing). CT Partners is of the view that there are no material weaknesses or deficiencies in the adequacy and effectiveness of our Group's internal control system.
- (x) Our executive Directors have undertaken to attend, after Listing, at least 20 hours of external training annually regarding compliance matters including but not limited to those in relation to the Companies Ordinance, the Inland Revenue Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Employees' Compensation Ordinance, and/or other laws and regulations relevant to our Group's operations. Since June 2015 up to the Latest Practicable Date, each of our executive Directors has attended 10 hours of training, including directors' training sessions conducted by our legal advisers as to Hong Kong law on, among other matters, the responsibilities of a director of a company listed on the Stock Exchange, the Companies Ordinance, the Inland Revenue Ordinance and the Mandatory Provident Fund Schemes Ordinance, as well as training sessions conducted by CT Partners on enhanced internal control measures for prevention of non-compliances.
- (xi) Our Company has engaged Messis Capital Limited as our compliance adviser and will, upon Listing, engage legal advisers as to Hong Kong laws, which will advise and assist the Legal Compliance Committee and our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.

## LITIGATION AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and potential claims against our Group. Set out below are the details of (i) the ongoing litigation against our Group as at the Latest Practicable Date; (ii) potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date; and (iii) the litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date. Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

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### Ongoing litigation against our Group as at the Latest Practicable Date

Fraser Construction has joined as a defendant in the course of our business as a main contractor in respect of the following outstanding common law personal injury claim:

<b>Particular of the claim</b>	<b>Total amount involved for the ongoing claim</b>	<b>Status</b>	<b>Insurance coverage</b>
On 25 February 2012, the plaintiff, who was employed by our subcontractor in one of our projects, suffered left foot contusion whilst transporting steel bars in the course of work.	The plaintiff claimed for a sum of HK\$535,265 (after deduction of the compensation of HK\$229,490 paid under the previously settled employees' compensation claim (see the paragraph headed "Litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date" below of this section for details of the said settled employees' compensation claim)) plus interests and costs. The actual amount to be awarded under this common law personal injury claim, if any, shall be subject to the outcome of the proceedings and the court's assessment.	Ongoing. The second checklist review hearing has been fixed for 15 December 2015.	The insurer has taken over the conduct of the claim and the amount to be borne by Fraser Construction is covered by the insurance.

### Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in a case of personal injuries to our employees or our subcontractors' employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

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As at the Latest Practicable Date, there was one employees' compensation claim against our Group which has been settled but as the limitation period for personal injury claim (which is generally three years from the date of the relevant incident) has not lapsed, it is still possible for the subject person to commence common law personal injury court proceeding against our Group. In addition, as at the Latest Practicable Date, there were ten cases arising during usual and ordinary course of our business which were within the limitation period of two years (for employees' compensation claims) and/or three years (for common law personal injury claims) from the date of the relevant incidents, although no court proceedings has commenced yet in respect of such cases up to the Latest Practicable Date. As such potential court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. Our Directors confirm that these accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation.

Among the abovementioned work injury cases, we failed to report one case of work injury to the relevant insurer. In respect of this case, Fraser Construction has made periodical payments to the injured employee in view of the not particularly serious nature of the injury, which resulted in our human resources and administrative staff responsible for handling work injury related matters having mistakenly believed that no further reporting to the Commissioner of Labour under the Employees' Compensation Ordinance or to the relevant insurer was required due to the lack of timely and professional legal advice at the material times (see the paragraph headed "Non-compliance — Other non-compliances" in this section for further information). If the injured employee commences court proceedings to sue for compensation and the relevant insurer repudiates its liability under the relevant insurance policy on the ground of non-reporting, Fraser Construction will have to pay compensation (if any) to the injured. Details of the non-reported work injury are set out below:-

<b>Date of accident</b>	<b>Particulars of accident</b>	<b>Expiry date of limitation period</b>	<b>Employer of the injured employee</b>
30 November 2013	The injured broke his right ankle as a result of slipping	For employees' compensation claim: claim withdrawn by the injured  For common law personal injury claim: 30 November 2016	Fraser Construction

For further information regarding our enhanced measures for reporting work injury cases to the Commissioner of Labour in Hong Kong and to the insurer, please refer to the paragraph headed "Non-compliance — Internal control measures to prevent recurrence of non-compliance incidents" in this section.

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### Litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, Fraser Construction has settled the following claims, which were fully covered by insurance policies (subject to the relevant policy excess (if any) which were fully recovered from the relevant subcontractor):

Type of claim	Particulars of the claims	Approximate settlement amount (exclusive of costs)	Fully covered by insurance and/or recovered from subcontractor	Date of settlement
1. Employees' compensation claim	On 25 February 2012, the applicant (who is the same person as the plaintiff in the ongoing common law personal injury claim as disclosed in the paragraph headed "Ongoing litigation against our Group as at the Latest Practicable Date" above of this section) suffered left foot contusion whilst transporting steel bars in the course of work.	HK\$229,490	Yes	30 December 2013
2. Employees' compensation claim	On 6 September 2013, the applicant sustained injury to his right shoulder and back whilst unfastening some bolts of a pole on metal scaffolding in the course of work.	HK\$179,977	Yes	23 September 2014
3. Common law personal injury claim	On 16 May 2008, the plaintiff sustained injury to her lower limbs whilst pushing a cart full of bags of rubbish up along a slanted road near a slope in the course of work.	HK\$1,150,000 (after deducting the amount of HK\$316,990 settled in April 2013 under the relevant employees' compensation claim)	Yes	25 August 2014
4. Common law personal injury claim	On 25 January 2011, the plaintiff sustained fracture of the left collar bone and foreign particles in his eyes whilst removing blockage in a drainpipe in the course of work.	HK\$780,000 (after deducting the amount of HK\$259,638 settled in April 2012 under the relevant employees' compensation claim)	Yes	26 February 2014

### No provision for litigation claims

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. We have taken out insurance in compliance

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with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.

No provision was made in the financial statements of our Group in respect of the aforementioned ongoing personal injury claim having taken into account (i) the uncertainty in the total amount involved for the claim; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by our Controlling Shareholders as mentioned below.

Regarding the potential litigations in relation to employees' compensation claims and common law personal injury claims, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the uncertainties in the total amount that will be involved for such claims, if any; and (iii) the indemnity given by our Controlling Shareholders as mentioned below.

### **Indemnity from our Controlling Shareholders**

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, subject to the terms and conditions of the Deed of Indemnity, indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Placing becomes unconditional. Please refer to the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity.

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## CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, we (as tenant) leased the following properties from Mars Glare (as landlord):

Address	Gross floor area	Use of the property
Room 1121 and 1122, 11/F, Pacific Link Tower (South Mark), 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	1,733 sq.ft.	For office use
Carpark #P231 2nd Floor, Pacific Link Tower (South Mark) 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	N/A	For car parking

Mars Glare is a company incorporated in Hong Kong on 9 March 1990 with limited liability and is owned as to 50% by Mr. Yu (our executive Director and one of our Controlling Shareholders) and as to 50% by Ms. Leung Wai Lan, the mother of Mr. Yu (who has been holding her interest in Mars Glare as a trustee for Mr. Yu pursuant to a declaration of trust dated 7 August 1990). As such, Mars Glare is our connected person pursuant to the GEM Listing Rules. Mars Glare is principally engaged in property holding and investment.

As we intend to continue the lease of the above properties after the Listing, on 1 May 2015, we (as tenant) and Mars Glare (as landlord) entered into the Tenancy Agreements, pursuant to which we agreed to rent the aforesaid properties for a term of one year commencing on 1 May 2015 at an aggregate monthly rent of HK\$32,000 (exclusive of government rent, government rate, management fees and air-conditioning charges), which was agreed after arm's length negotiations between the parties with regard to the prevailing market rates as assessed by an independent valuer. The monthly rent is payable in advance on the 1st day of each and every successive calendar month. The total annual rent payable by us under the Tenancy Agreements shall be HK\$384,000 per annum.

For each of FY2014 and FY2015, the aggregate amount of rents paid by us to Mars Glare for the lease of the aforesaid properties amounted to approximately HK\$360,000 and approximately HK\$360,000, respectively.

Upon Listing, the Tenancy Agreements will constitute continuing connected transactions of our Company under the GEM Listing Rules. The Tenancy Agreements were entered into on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 20 of the GEM Listing Rules is less than 5% while the total annual rent payable by us under the Tenancy Agreements is less than HK\$3,000,000. As such, pursuant to Rule 20.74(1)(c) of the GEM Listing Rules, the Tenancy Agreements are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

The Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬))	58	October 1995 (as the founder of our Group)	20 May 2015	Executive Director, chairman of the Board and chief executive officer	Overall business development and financial and strategic planning of our Group	Spouse of Ms. Wong
Ms. WONG So Wah (黃素華)	49	May 2005	20 May 2015	Executive Director, administration director and compliance officer	Overall management and administration of our business operations	Spouse of Mr. Yu
Mr. CHEUNG Kin Keung Martin (張建強)	63	May 2015	20 May 2015	Non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. LAW Yiu Sing (羅耀昇)	47	October 2015	14 October 2015	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. WONG Kwok Chuen (黃國全)	57	October 2015	14 October 2015	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. WONG Law Fai (黃羅輝)	55	October 2015	14 October 2015	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil

### Executive Directors

**Mr. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬))**, aged 58, 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 32 years of experience in the construction industry in Hong Kong. Prior to founding our Group, Mr. Yu had accumulated approximately 13 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



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## DIRECTORS AND SENIOR MANAGEMENT

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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 was a director of Satellite One Limited (衛星電視專業接收顧問有限公司) (formerly known as Fancy Star Development Limited (金印發展有限公司)) (“**Satellite One**”), which was incorporated on 16 October 1990 in Hong Kong, prior to its dissolution. Due to cessation of business, Satellite One was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance on 25 April 2003 following a notice of striking off dated 6 December 2002.

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.

Mr. Yu has served on various Government bodies or boards and committees thereunder including but not limited to the following:

<b>Government bodies</b>	<b>Capacity in which Mr. Yu has served</b>	<b>Duration</b>
Hong Kong Senior Government Officers Association	Honorary President	From April 2015 to the present
Asbestos Administration Committee under the Environmental Protection Department	Member	From March 2014 to the present
Land Sub-Committee of the Land and Development Advisory Committee under the Development Bureau	Member	From July 2013 to the present
Employees Compensation Assistance Fund Board under the Labour Department	Board Member	From July 2012 to the present
Technical Committee for the Code of Practice for Demolition of Buildings under the Buildings Department	Member	From July 2012 to June 2014
Pneumoconiosis Compensation Fund Board under the Labour Department	Board Member	From January 2010 to the present

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yu has also served on various boards and committees of industry organisations including but not limited to the following:

<b>Boards or committees of industry organizations</b>	<b>Capacity in which Mr. Yu has served</b>	<b>Duration</b>
The Hong Kong Construction Association, Limited	Vice President (Civil Engineering)	From April 2015 to the present
	Council member	From 2005 to the present
	Honorary secretary	From 2009 to 2014
	Deputy Chairman of the Environmental Committee	From 2009 to 2011
	Chairman of the Environmental Committee	From 2011 to 2015
Construction Industry Council	Council Member	From February 2015 to the present
Construction Charity Fund	Ambassador	From 2011 to the present
The Hong Kong Institution of Engineers	Council member	From 2011 to 2013
	Chairman of the Geotechnical Division	From 2010 to 2011

**Ms. WONG So Wah (黃素華)**, aged 49, 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 Fraser Construction, Tubo Tech, True Sincere, Strong Move and Magic City. 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, Ms. Wong 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.

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## DIRECTORS AND SENIOR MANAGEMENT

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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).

### Non-executive Director

**Mr. CHEUNG Kin Keung Martin (張建強)**, aged 64, was appointed as a non-executive Director on 20 May 2015. Mr. Cheung has more than 37 years of experience in the construction industry in Hong Kong through his employment in various Government departments, including the Public Works Department (at which his last position was engineer) from December 1977 to December 1980, the Housing Department (at which his positions included chief civil engineer from May 1992 to June 2006 and assistant director from June 2006 to August 2012), and the Home Affairs Department (at which his position was senior consultant) from May 2013 to October 2013. 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 Directors

**Mr. LAW Yiu Sing (羅耀昇)**, aged 47, 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. From October 1995 to October 1997, Mr. Law was the general manager in the corporate development department of COSCO Pacific Limited (stock code: 1199), the shares of which are listed on the Main Board of the Stock Exchange. From August 2000 to May 2002, Mr. Law was the deputy general

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## DIRECTORS AND SENIOR MANAGEMENT

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manager of business development of China Chengtong Development Group Limited (stock code: 217), the issued shares of which are listed on the Main Board of the Stock Exchange. From January 2003 to November 2004, Mr. Law served as the director of corporate finance and the assistant to the chief financial officer of Capisces International (H.K.) Limited. From January 2006 to January 2007, Mr. Law worked at the Official Receiver's Office in Hong Kong as an Insolvency Officer II. From February 2007 to March 2009, Mr. Law served as the vice president of Yangtze Capital Management Limited. From July 2009 to July 2010, Mr. Law served as the chief financial officer of Jimei Development Holdings Ltd. From October 2010 to July 2014, Mr. Law served as the M&A manager, settlement manager, M&A manager cum treasury manager and deputy chief financial officer cum treasury manager of Win Capital Investments Limited, a subsidiary of Brightoil Petroleum (Holdings) Limited (stock code: 933), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Law is currently the deputy general manager of Vision Fame International Holding Limited (stock code: 1315), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Law is currently an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059) and Wan Kei Group Holdings Limited (stock code: 1718). From July 2014 to July 2015, he served as an independent non-executive director of King Force Security Holdings Limited (stock code: 8315). From November 2013 to January 2015, he also served as an independent non-executive director of JC Group Holdings Limited (stock code: 8326). The shares of these companies are listed on the Stock Exchange.

**Mr. WONG Kwok Chuen (黃國全)**, aged 57, 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.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

Company	Place of incorporation	Date of incorporation	Date of application for deregistration	Date of dissolution
March Trading Limited (名進貿易有限公司)	Hong Kong	5 August 1993	26 November 2008	9 April 2009
Ocean Power Investments Holdings Limited (海威投資集團有限公司)	Hong Kong	31 March 2003	17 February 2012	6 July 2012
Red Jack International Limited (傑晉國際有限公司)	Hong Kong	17 January 1997	29 July 2005	2 December 2005

Mr. Wong was previously a director of the companies shown in the table below which were dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance due to cessation of business:

Company	Place of incorporation	Date of incorporation	Date of notice of striking off	Date of dissolution
Creative Progress International Limited (順昇國際有限公司)	Hong Kong	16 November 2001	30 November 2007	28 March 2008
Lap Shing Engineering Company Limited (立成建築工程有限公司)	Hong Kong	12 September 1997	28 September 2007	25 January 2008

**Mr. WONG Law Fai (黃羅輝)**, aged 55, 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.

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## DIRECTORS AND SENIOR MANAGEMENT

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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”), Wan Chung Property Company Limited, 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. The principal business of Wan Chung Construction may compete with our Group as set out in the section headed “Relationship with our Controlling Shareholders — Competing interest” of this prospectus. Mr. Wong was also the chairman and an executive director of Vision Fame International Holding Limited from December 2011 to May 2013.

Mr. Wong was previously a director of the companies shown in the table below which were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

Company	Place of incorporation	Date of incorporation	Date of application for deregistration	Date of dissolution
Hong Kong Wan Chung Yuk Hing Housing and Lands Development Company Limited (香港宏宗旭興房地產開發有限公司)	Hong Kong	27 May 1993	23 September 2002	30 January 2003
Manba Power Contracting Company Limited (曼巴動力有限公司)	Hong Kong	2 July 1996	12 September 2000	19 January 2001
Milleni-A (HK) Limited (民康集團(香港)有限公司)	Hong Kong	19 March 1997	28 June 2005	4 November 2005
Milleni-A Corporation Limited (美亞建設有限公司)	Hong Kong	5 March 1997	7 July 2005	11 November 2005
Wang Ying Construction Company Limited (宏英建築有限公司)	Hong Kong	24 May 1994	18 June 2002	25 October 2002

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong was previously a director of the companies shown in the table below which were dissolved by striking off pursuant to section 291 of the Predecessor Companies Ordinance due to cessation of business:

<b>Company</b>	<b>Place of incorporation</b>	<b>Date of incorporation</b>	<b>Date of notice of striking off</b>	<b>Date of dissolution</b>
Saint Leonard & Company Limited (利諾有限公司)	Hong Kong	18 August 1992	22 November 2002	4 April 2003
Wan Chung Chun Yip Company Limited (宏宗振業有限公司)	Hong Kong	26 September 1996	22 March 2002	9 August 2002
Wan Chung Garment Company Limited (宏宗針織製衣有限公司)	Hong Kong	10 February 1997	29 December 2000	18 May 2001
Wan Chung Power Company Limited (宏宗動力有限公司)	Hong Kong	3 January 1997	27 September 2002	21 February 2003
Wan Chung Property Services Limited (宏宗物業服務有限公司)	Hong Kong	19 March 1997	10 January 2003	9 May 2003

### **Disclosure required under Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section headed “Statutory and general information — C. Further information about Substantial Shareholders, Directors and experts — 1. Disclosure of interests” in Appendix IV to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

The following table sets out the information regarding the senior management team of our Group:

Name	Age	Date of joining our Group	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. YU Shek Man Ringo (余錫萬) (former name: YU Shek Man (余錫萬))	58	October 1995 (as the founder of our Group)	Executive Director, chairman of the Board and chief executive officer	Overall business development and financial and strategic planning of our Group	Spouse of Ms. WONG So Wah
Ms. WONG So Wah (黃素華)	49	May 2005	Executive Director, administration director and compliance officer	Overall management and administration of our business operations	Spouse of Mr. YU Shek Man Ringo
Mr. YIU Chun Wing (姚俊榮) (former name: YIU Ka Wai (姚家煒))	33	April 2015	Financial Controller and Company Secretary	Financial reporting, financial planning, treasury, financial control and overall company secretarial matters	Nil
Mr. LEE Ho Cheong (利浩昌)	43	July 2000	Senior project manager	Project management and supervision	Nil
Mr. HO Chi Ming, Alvin (何志明)	42	May 2003	Senior Project Manager	Project management and supervision	Nil

**Mr. YU Shek Man Ringo (余錫萬)** is the chairman of the Board and an executive Director. Please refer to the paragraph headed “Directors” above in this section for his biographical information.

**Ms. WONG So Wah (黃素華)** is an executive Director, the administration director of our Group, and the compliance officer of our Company. Please refer to the paragraph headed “Directors” above in this section for her biographical information.

**Mr. YIU Chun Wing (姚俊榮) (former name: YIU Ka Wai (姚家煒))**, aged 33, 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



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## DIRECTORS AND SENIOR MANAGEMENT

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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 had also accumulated experience in internal control and compliance matters through (i) his aforesaid past employments with Promise (HK) Co., Limited, Moore Stephens Associates Limited, HKCMCPA Company Limited (formerly known as ZYCPA Company Limited) and HLB Hodgson Impey Cheng Limited where he participated in reviews on clients' internal procedures and systems to ensure the effectiveness of internal controls; (ii) his perusal of the legal opinions issued by our Legal Counsel and our Litigation Company Lawyer concerning the non-compliance incidents based on which he familiarised himself with the requirements under relevant laws and regulations of Hong Kong; (iii) his perusal of the internal control report prepared by CT Partners based on which he familiarised himself with the recommendations made by CT Partners to prevent recurrence of the non-compliance incidents and other internal control matters; and (iv) his attendance at a training session conducted by our legal advisers as to Hong Kong laws.

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.

**Mr. LEE Ho Cheong (利浩昌)**, aged 43, 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.

**Mr. HO Chi Ming, Alvin (何志明)**, aged 42, 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.

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## DIRECTORS AND SENIOR MANAGEMENT

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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))** is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed “Senior management” above in this section.

### COMPLIANCE OFFICER

**Ms. WONG So Wah (黃素華)** was appointed as the compliance officer of our Company on 14 October 2015. Please refer to the paragraph headed “Directors” above in this section for the profile of Ms. Wong.

Although Ms. Wong was involved in the management of our Group at the material time when our non-compliance incidents (see the section headed “Business — Non-compliance” in this prospectus) took place, having considered that:

- (i) at the material time when our non-compliance incidents took place, Ms. Wong was not familiar with and was not made aware of the relevant law and regulations due to the absence of timely and professional advice at the material time and she had no willful involvement in the non-compliance incidents;
- (ii) after discovery of the non-compliance incidents, Ms. Wong has perused (a) the legal opinions issued by our Legal Counsel and our Litigation Company Lawyer concerning the non-compliance incidents and familiarised herself with the relevant laws and regulations; and (b) the internal control report prepared by CT Partners and familiarised herself with the recommendations made by CT Partners to prevent recurrence of the non-compliance incidents;
- (iii) Ms. Wong has attended a directors’ training session conducted by our legal advisers as to Hong Kong law on, among other matters, the responsibilities of a director of a company listed on the Stock Exchange including the requirements under the GEM Listing Rules;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (iv) given (ii) and (iii) above as well as Ms. Wong's history with our Group and her position as our administration director principally responsible for the overall management and administration of our business operation, Ms. Wong's background and experience is considered relevant and adequate for assisting in implementation of procedures to address our regulatory compliance;
- (v) our Company has engaged Messis Capital Limited as our compliance adviser and will, upon Listing, engage legal advisers as to Hong Kong laws, who will assist Ms. Wong in discharging her duties as the compliance officer of our Company; and
- (vi) Ms. Wong will consult our compliance adviser and our legal advisers as to Hong Kong laws prior to advising on and assisting our Board in implementing procedures to ensure that our Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Company,

our Board is of the view that Ms. Wong is suitable to take up the role as our Company's compliance officer and is able to discharge her duties as our Company's compliance officer under the GEM Listing Rules.

### REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the Remuneration Committee will review and make recommendation as to the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

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## DIRECTORS AND SENIOR MANAGEMENT

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### REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations of our executive Directors for the Track Record Period are set out in the following table. During the Track Record Period, our non-executive Director and independent non-executive Directors have not yet been appointed and have not received any directors' remuneration in the capacity of Directors.

	<b>Fee</b>	<b>Retirement scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>FY2014</b>			
<b>Executive Directors</b>			
Mr. Yu	300	15	315
Ms. Wong	<u>200</u>	<u>10</u>	<u>210</u>
	<u>500</u>	<u>25</u>	<u>525</u>
<b>FY2015</b>			
<b>Executive Directors</b>			
Mr. Yu	300	18	318
Ms. Wong	<u>200</u>	<u>10</u>	<u>210</u>
	<u>500</u>	<u>28</u>	<u>528</u>

During the Track Record Period, no emoluments were paid by our Group to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

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## DIRECTORS AND SENIOR MANAGEMENT

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Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Yu	360,000
Ms. Wong	240,000
<b>Non-executive Director</b>	
Mr. Cheung Kin Keung Martin	150,000
<b>Independent non-executive Directors</b>	
Mr. Law Yiu Sing	150,000
Mr. Wong Kwok Chuen	150,000
Mr. Wong Law Fai	150,000

For FY2014 and FY2015, our Group's five highest paid individuals included none of our executive Directors. The table below sets out the emoluments of our five highest paid individuals for each of FY2014 and FY2015:

	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, fee and allowances	2,188	2,147
Discretionary bonuses	340	200
Retirement scheme contributions	<u>75</u>	<u>84</u>
	<u><u>2,603</u></u>	<u><u>2,431</u></u>

The emoluments of the five highest paid individuals fell within the following bands:

	<b>Number of individuals</b>	
	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
Emolument bands		
Nil - HK\$1,000,000	5	5

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## DIRECTORS AND SENIOR MANAGEMENT

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During the Track Record Period, no emoluments were paid by our Group to the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group.

### **BOARD COMMITTEES**

#### **Audit committee**

Our Company established the Audit Committee on 14 October 2015 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee comprises the three independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Wong Kwok Chuen and Mr. Wong Law Fai. Mr. Law Yiu Sing currently serves as the chairman of the Audit Committee.

#### **Remuneration committee**

Our Company established the Remuneration Committee on 14 October 2015 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations on the remuneration of our Company's senior management and to make recommendations on the remuneration of members of the Board.

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Wong Law Fai, Mr. Yu and Mr. Wong Kwok Chuen. Mr. Wong Law Fai currently serves as the chairman of the Remuneration Committee.

#### **Nomination committee**

Our Company established the Nomination Committee on 14 October 2015 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Wong Kwok Chuen, Mr. Law Yiu Sing and Mr. Wong Law Fai. Mr. Wong Kwok Chuen currently serves as the chairman of the Nomination Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Legal Compliance Committee

On 14 October 2015, our Company established the Legal Compliance Committee with written terms of reference. 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 Legal Compliance Committee comprises Ms. Wong, the compliance officer of our Company and an executive Director, Mr. Yiu Chun Wing, our financial controller and company secretary, as well as the three independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Wong Kwok Chuen and Mr. Wong Law Fai. Mr. Law Yiu Sing currently serves as the chairman of the Legal Compliance Committee.

### CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules save and except for Code Provision A.2.1 (for details, please refer to the paragraph headed “Non-segregation of the roles of chairman and chief executive office” in this section).

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Messis Capital Limited as our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

The compliance adviser of our Company shall provide us with services, including guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

### **NON-SEGREGATION OF THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Yu has been managing our Group'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 our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors which represents 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, our 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.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing, each of Mr. Yu, and National Honour will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Mr. Yu, Ms. Wong and National Honour are our Controlling Shareholders. National Honour is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Each of Mr. Yu, Ms. Wong and National Honour confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

#### (i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain non-trade related amounts due from or to Mr. Yu and Mars Glare, a company owned as to 50% by Mr. Yu and 50% by Ms. Leung Wai Lan (who has been holding her interest in Mars Glare as a trustee for Mr. Yu pursuant to a declaration of trust dated 7 August 1990). Please refer to the sections headed “Financial information — Net current assets — Amount due from/(to) a director”, “Financial information — Net current assets — Amount due from a related company”, Notes 15 (Amount due from/(to) a director) and 16 (Amount due from a related company) in the Accountants’ Report in Appendix I to this prospectus for further details. The non-trade related amounts due from/to Mr. Yu and Mars Glare have been settled by cash. Bank borrowings of our Group during the Track Record Period to the total extent of HK\$23,000,000 were secured or guaranteed by, among others, Mars Glare’s properties and a personal guarantee given by Mr. Yu. Please also refer to the section headed “Financial Information — Borrowings” and Note 20 (Borrowings, secured) to the Accountants’ Report in Appendix I to this prospectus for more details. Our Group has also procured the release of all securities over Mars Glare’s properties and personal guarantee provided by Mr. Yu for us upon the Listing. Based on the above, our Directors are of the view that our Group has sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations.

#### (ii) Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources (save for the rental of

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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office premises and carpark from Mars Glare, details of which are set out in the section headed “Connected transactions” in this prospectus) with our Controlling Shareholders and/or their close associates. Our Directors are of the view there is no operational dependence on our Controlling Shareholders.

### (iii) **Independence of management**

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The Board’s main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Each of Mr. Yu and Ms. Wong, each an executive Director, are spouses to each other and the directors of National Honour. No other Directors or senior management serves any executive or management role in National Honour. Each of Mr. Yu and Ms. Wong is also our Controlling Shareholder.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group’s business independently from our Controlling Shareholders.

### (iv) **Independence of major suppliers**

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

### (v) **Independence of major customers**

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### COMPETING INTEREST

Mr. Wong Law Fai (黃羅輝), one of our independent non-executive Directors, is currently a director of Wan Chung Construction Company Limited (“**Wan Chung**”), whose principal business activities include undertaking building construction works in Hong Kong, which may compete with our Group’s business of undertaking general building works in Hong Kong. Wan Chung was incorporated in Hong Kong on 14 May 1982. Wan Chung is a subsidiary of Vision Fame International Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange with stock code: 1315) (“**Vision Fame**”). According to the latest annual report of Vision Fame, its revenue from building construction for the year ended 31 March 2015 amounted to approximately HK\$557.79 million. Having considered that (i) for each of FY2014 and FY2015, our Group’s business of undertaking general building works generated revenue of approximately HK\$7.46 million and approximately HK\$12.83 million respectively, representing only approximately 5.81% and approximately 8.15% of our total revenue; (ii) the most significant business activity of our Group is undertaking slope works rather than general building works; (iii) during the Track Record Period and up to the Latest Practicable Date, our Group did not have any transactions with Wan Chung or Vision Fame; (iv) Mr. Wong Law Fai is our independent non-executive Director rather than our executive Director or Controlling Shareholder; and (v) Wan Chung is a subsidiary of Vision Fame, whose shares are listed on the Stock Exchange and whose directors are different from those of our Company, our Directors consider that Mr. Wong Law Fai’s directorship in Wan Chung would not cause a material conflict of interest and that we are capable of carrying on our business independently of, and at arms’ length from, Wan Chung.

Having considered that:

- (i) during the Track Record Period and up to the Latest Practicable Date, our Group did not have any transactions with Wan Chung or Vision Fame;
- (ii) for each of FY2014 and FY2015, our Group’s business of undertaking general building works generated revenue of approximately HK\$7.46 million and HK\$12.83 million respectively, representing only approximately 5.81% and 8.15% of our revenue;
- (iii) during the Track Record Period, the most significant business activity of our Group is undertaking slope works rather than general building works, with revenue derived from undertaking slope works accounted for approximately 88.93% of our total revenue for FY2014 and 90.89% of our total revenue for FY2015;
- (iv) as disclosed in the section headed “Business — Business strategies — 1. Further developing our business by undertaking more projects” of this prospectus, we intend to further develop our business by undertaking more projects in the future with a primary focus on slope works rather than general building works;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (v) as of the Latest Practicable Date, Wan Chung was not an approved specialist contractor included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” and was therefore not eligible to compete with our Group for Government slope works projects,

the Company and the Sponsor are of the view that Mr. Wong Law Fai is suitable to act as an independent non-executive Director of our Company despite his directorship in Wan Chung.

Save as disclosed above, our Substantial Shareholders, Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, each of Mr. Yu, Ms. Wong and National Honour (each a “**Covenantor**” and collectively the “**Covenantors**”) has executed a deed of non-competition with our Company (for ourselves and for the benefit of each other member of our Group) on 15 October 2015. Pursuant to the Deeds of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for ourselves and as trustee for our subsidiaries) that, during the period that the Deeds of Non-Competition remain effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such business opportunity. Our Company shall, within six months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantors whether our Company will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantors and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Deeds of Non-Competition are conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreement (including waiver of any conditions precedent by the Lead Manager, if applicable) and the Underwriting Agreement not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Lead Manager and our Company or the Lead Manager and our Company have agreed to terminate the Underwriting Agreement thereafter, the Deeds of Non-Competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds of Non-Competition.

The Deeds of Non-Competition shall terminate when (i) a Covenantor whether individually or taken together with his/her/its close associates ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of our Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason).

### CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) the Covenantors will make an annual confirmation as to compliance with his/her/its undertaking under the Deeds of Non-Competition for inclusion in the annual report of our Company;
- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and senior management” in this prospectus;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (c) our Company has appointed Messis Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors and senior management — Compliance adviser" in this prospectus for further details in relation to the appointment of compliance adviser;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deeds of Non-Competition; and
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deeds of Non-Competition; and (b) all the decisions taken in relation to whether to pursue the new opportunity under the Deeds of Non-Competition.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

### Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Placing
National Honour	Beneficial owner <i>(Note 1)</i>	1,080,000,000	75%
Mr. Yu	Interest of a controlled corporation <i>(Note 1)</i>	1,080,000,000	75%
Ms. Wong	Interest of spouse <i>(Note 2)</i>	1,080,000,000	75%

*Notes:*

1. The issued share capital of National Honour is owned as to 90% by Mr. Yu and 10% by Ms. Wong. Therefore, Mr. Yu is deemed or taken to be interested in the Shares held by National Honour under the SFO. Mr. Yu and Ms. Wong are the directors of National Honour.
2. Ms. Wong is the spouse of Mr. Yu. Accordingly, Ms. Wong is deemed or taken to be interested in the Shares held by Mr. Yu under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

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## SHARE CAPITAL

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### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Capitalisation Issue and the Placing will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:</i>		<i>HK\$</i>
10,000	Shares in issue at the date of this prospectus	100
1,234,990,000	Shares to be issued pursuant to the Capitalisation Issue	12,349,900
<u>205,000,000</u>	Shares to be issued pursuant to the Placing	<u>2,050,000</u>
<u>1,440,000,000</u>	Shares	<u>14,400,000</u>

The table is prepared on the basis of the Placing becoming unconditional and the Capitalisation Issue and the issue of the Placing Shares being completed.

It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

According to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our Company’s issued share capital in the hands of the public.

### RANKING

The Placing Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 15 October 2015, subject to the share premium account of our Company being credited as a result of the Placing, our Directors are authorised to allot and issue a total of 1,234,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 14 October 2015 in



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## SHARE CAPITAL

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proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$12,349,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 15 October 2015” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and general information — A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as of and for each of the two years ended 30 April 2015, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.*

### OVERVIEW

We are a contractor principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong. The majority of our revenue during the Track Record Period was derived from public sector projects where our customers primarily included Government departments such as CEDD, Lands Department and Architectural Services Department, as well as other statutory bodies including the Housing Authority and one which is responsible for the operation and management of certain Chinese temples in Hong Kong. During the Track Record Period, we have also undertaken private sector projects, where our customers primarily included a private investment company and a bank.

Most of our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor. We normally engage further subcontractors to carry out the site works and we mainly focus on project management and site supervision. Most of the machinery and direct labours required for the performance of site works are provided by our subcontractors. Construction materials required for the performance of site works are normally procured by our subcontractors directly without our involvement, or, alternatively, procured by us on behalf of our subcontractors, where the relevant costs are normally borne by our subcontractors. Construction materials procured by us on behalf of our subcontractors are purchased on a project-by-project basis and we do not maintain any inventory of construction materials.

Our revenue mainly represents income derived from undertaking contract works. Costs of our services mainly include subcontracting charges and staff costs in respect of our on-site project management and supervision personnel as well as direct labours for carrying out site works.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus:

#### **Government's spending on slope works and other construction projects**

For each of FY2014 and FY2015, our revenue generated from contracts awarded by Government departments and statutory bodies represented approximately 84.07% and 88.55% of our total revenue

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## FINANCIAL INFORMATION

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respectively. As such, the Government's spending budget on construction projects (especially those involving slope works and foundations works, being the principal types of works we undertook during the Track Record Period) may change from year to year, which in turn may be affected by various factors, including but not limited to changes in the Government's policies in relation to landslip prevention and mitigation, changes in the Government's public housing policy, the amount of investment in the construction of new infrastructure and improvement of existing infrastructure by the Government, the general financial conditions of the Government and the general economic conditions in Hong Kong. Our business and financial positions and prospects depend significantly on the amount of Government's spending on slope works and other construction projects.

### **Our success rate on project tendering**

Projects undertaken by us, including those from the public and private sectors, are normally awarded to us through competitive tendering processes. For each of FY2014 and FY2015, we recorded a tender success rate of approximately 18% and 10% respectively. Our success rate on project tendering depends on a range of factors, which primarily include our tender price and, in respect of Government contracts, our performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government (see the section headed "Business — Competitive strengths" of this prospectus for further details regarding our performance ratings). Our business and financial positions and prospects depend significantly on our overall tender success rate.

### **Accuracy in our estimation of time and costs involved in projects before submitting tenders**

We need to estimate the time and costs involved in a project in order to determine our tender price. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management and supervision personnel involved, non-performance by our subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

### **Availability and performance of our subcontractors and our ability to complete works on time**

We normally engage subcontractors to perform site works and we focus on project management and supervision. For each of FY2014 and FY2015, subcontracting charges incurred by us amounted to approximately HK\$97.45 million and HK\$127.88 million respectively. Notwithstanding our evaluation and selection of subcontractors, there is no assurance that the work quality of our subcontractors can always meet our requirements. Outsourcing exposes us to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. In particular, contracts undertaken by us typically include a liquidated damages clause to protect our customers against any

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## **FINANCIAL INFORMATION**

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late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts due to the unsatisfactory performance by our subcontractors. Such events could impact upon our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

### **Working capital requirements associated with undertaking contract works**

When undertaking contract works, there are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. Some of our customers may also require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. In addition, Fraser Construction, 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)”, which is a prerequisite for tendering for public sector projects in the relevant works categories. The retention on such list is subject to certain minimum employed capital and minimum working capital requirements being met from time to time. Our available financial resources will therefore affect our ability to undertake projects and develop our business in the future.

### **The level of construction costs including costs of construction workers and construction materials**

Construction works are generally labour-intensive in nature. However, according to the Ipsos Report, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. There has been an increase in the average wage of construction works in Hong Kong in recent years. In addition, according to the Ipsos Report, the costs of key construction materials have also demonstrated a general increasing trend over the past five years. We normally engage subcontractors to perform site works in respect of works contracts undertaken by us. The fees charged by our subcontractors depend on a number of factors, which generally include their own labour costs and the costs of construction materials. Therefore, if labour costs and costs of certain construction materials in Hong Kong keep increasing, our subcontracting costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

### **BASIS OF PRESENTATION**

Throughout the Track Record Period, Mr. Yu and Ms. Wong collectively controlled 100% equity interests in Fraser Construction and Tubo Tech. Our Group was under the control of Mr. Yu and Ms. Wong prior to and after the Reorganisation. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation (as detailed in the section headed “History and development” of this

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prospectus) is regarded as a continuing entity. Accordingly, for the purpose of the preparation of the financial information of our Group, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. The financial information of our Group has been prepared using the principles of merger accounting.

The financial information of our Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, and also comply with the applicable requirements of the Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. Inter-company transactions, balances and unrealised gains on transactions between our Group companies are eliminated on combination.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

#### Revenue recognition

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

##### (i) *Contracting revenue*

Contract costs are recognised when incurred. 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. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by the customer or its agent.

We make application to our customer for progress payment normally on a monthly basis. After examination by our customer or its agent, a payment certificate will be issued to us certifying the portion of works completed during the period for which progress payment is applied, and therefore the stage of completion for the period is established by reference to the payment certificate issued to us. Revenue is recognised for the period covered by the payment certificate upon the issue of such payment certificate. We also recognise trade receivables upon the issue of payment certificates.

##### (ii) *Consultancy income*

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

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### 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.

Our construction contracts are at fixed prices. 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 combined 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 for contract work” (an asset) or “Amounts due to customers for contract work” (a liability). Progress billings not yet paid by customers are included in the combined statement of financial position under “Trade and other receivables”.

### Provision for impairment of trade receivables

At each reporting date, financial assets other than at fair value through profit or loss 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 our 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;
- 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.

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



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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.

Impairment losses on trade receivables are written off against the trade receivables 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 we are 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.

### **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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 us 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.

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### Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if we determine 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.

Assets that are held by us under leases which transfer to us 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 us are classified as operating leases.

Where we have the right to use of assets held under operating leases, payments made under the leases are charged to the income statement 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 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.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised when we have 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.

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

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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 our Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

### **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.

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 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 our 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, our Group:

- (a) has the legally enforceable right to set off the recognised amounts; and

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- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Our 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.

### SUMMARY OF RESULTS OF OPERATIONS

The combined statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from the accountants' report set out in Appendix I to this prospectus:

	<b>FY2014</b> <i>HK\$'000</i>	<b>FY2015</b> <i>HK\$'000</i>
<b>Revenue</b>	128,295	157,346
Direct costs	<u>(112,755)</u>	<u>(136,580)</u>
<b>Gross profit</b>	15,540	20,766
Other income	2,872	1,682
Administrative expenses	(4,265)	(7,779)
Finance costs	<u>(12)</u>	<u>(68)</u>
<b>Profit before tax</b>	14,135	14,601
Income tax expense	<u>(2,598)</u>	<u>(3,170)</u>
<b>Profit and total comprehensive income for the year</b>	<u><u>11,537</u></u>	<u><u>11,431</u></u>

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### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was principally derived from undertaking slope works, foundation works and other general building works. The following table sets out a breakdown of our revenue during the Track Record Period:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Slope works	114,083	88.93	143,013	90.89
Foundation works	6,572	5.12	1,283	0.82
General building works	7,455	5.81	12,825	8.15
Others ( <i>Note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
	<u>128,295</u>	<u>100.00</u>	<u>157,346</u>	<u>100.00</u>

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

The following table sets out a breakdown of our revenue by public and private sector projects during the Track Record Period:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Public sector projects	107,852	84.07	139,330	88.55
Private sector projects	20,258	15.79	17,791	11.31
Others ( <i>Note</i> )	<u>185</u>	<u>0.14</u>	<u>225</u>	<u>0.14</u>
	<u>128,295</u>	<u>100.00</u>	<u>157,346</u>	<u>100.00</u>

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

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

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### Direct costs

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2014		FY2015	
	HK\$'000	%	HK\$'000	%
Subcontracting charges	97,454	86.43	127,881	93.63
Staff costs	6,703	5.94	5,110	3.74
Direct materials and consumables	3,313	2.94	1,135	0.83
Depreciation	970	0.86	919	0.67
Insurance	850	0.75	322	0.24
Others	3,465	3.08	1,213	0.89
	<u>112,755</u>	<u>100.00</u>	<u>136,580</u>	<u>100.00</u>

Our direct costs during the Track Record Period comprised:

- (a) subcontracting charges, which are costs of engaging subcontractors for carrying out works undertaken by us. Subcontracting charges are the most significant component of our direct costs. As disclosed in the section headed “Business” of this prospectus, most of our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor and we normally engage subcontractors to carry out the site works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 8% and 16%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average wage of construction workers as shown in the Ipsos Report (see the section headed “Industry overview — Potential challenges — Labour shortage” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in our subcontracting charges**

	+8%	+16%	-8%	-16%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Change in profit before tax (Note 1)</b>				
FY2014	(7,796)	(15,543)	7,796	15,543
FY2015	(10,230)	(20,461)	10,230	20,461
<b>Change in profit after tax (Note 2)</b>				
FY2014	(6,510)	(13,020)	6,510	13,020
FY2015	(8,542)	(17,085)	8,542	17,085

Notes:

- Our profit before tax was approximately HK\$14.14 million for FY2014 and approximately HK\$14.60 million for FY2015.

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2. Our profit after tax was approximately HK\$11.54 million for FY2014 and approximately HK\$11.43 million for FY2015.
- (b) staff costs, which are costs of our staff directly involved in the provision of our services, including project management and supervision personnel as well as direct labours for carrying out site works;
  - (c) costs of direct materials and consumables, which represent costs borne by us for purchasing construction materials and consumables required for the performance of works. As disclosed in the section headed “Business — Our services — Operation flow — Procurement of construction materials for subcontractors” of this prospectus, the costs of purchasing construction materials and consumables are normally borne by our subcontractors but in a limited number of cases, such purchase costs may be borne by us;
  - (d) depreciation, which represents depreciation charges in respect of our machinery and motor vehicles which are directly involved in our projects;
  - (e) insurance expenses, which represent cost for maintaining insurance policies that are directly related to the provision of our services; and
  - (f) others, which include various miscellaneous expenses relevant to the provision of our services.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” of this section for a discussion of material fluctuations in our direct costs.

### Other income

The table below sets forth a breakdown of our other income during the Track Record Period:

	<b>FY2014</b>	<b>FY2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Termination compensation	2,250	—
Gain on disposal of property, plant and equipment	—	839
Insurance claim	82	197
Rental income from lease of machinery	456	480
Sundry income	<u>84</u>	<u>166</u>
	<u>2,872</u>	<u>1,682</u>

Our other income during the Track Record Period mainly comprised:

- (a) termination compensation, which was compensation received as a result of the termination of a joint venture agreement entered into in November 2011 between us and an independent

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third party. Pursuant to the said joint venture agreement, we and the independent third party agreed to jointly undertake a slope works project with equal interest. The joint venture agreement was subsequently terminated in February 2012. As the joint venture arrangement was entered into in November 2011 and terminated in February 2012, the applicable accounting standards for the accounting treatment of such joint venture arrangement at that time was HKAS 31 “Interests in Joint Ventures” (which is now superseded by HKFRS 11 which is effective for annual periods beginning on or after 1 January 2013). Under the aforesaid joint venture arrangement, there was no establishment of any separate corporation, partnership or other entity, or any separate financial structure. Therefore, according to the then HKAS 31, such joint venture arrangement was not accounted for using the equity method but was treated as a jointly controlled operation where the venturer shall, instead of reporting the joint venture as a single-line item and in accordance with paragraph 15 of the then HKAS 31, recognise and consolidate in its financial statements (i) the assets that it controls and the liabilities that it incurs based on its actual contribution of resources to the joint venture; and (ii) the expenses that it incurs based on its actual contribution of resources to the joint venture, and its share of the income of the joint venture by proportion in accordance with its interest in the joint venture. We have accounted for the joint venture arrangement accordingly at that time. Regarding the termination of the joint venture arrangement, we and the independent third party entered into a termination agreement pursuant to which our Group would be entitled to a termination compensation after the completion of the slope works project. As of the financial years ended 30 April 2012 (“FY2012”) and 2013 (“FY2013”), such project had not yet been completed and thus the outcome of the project could not be estimated reliably as of FY2012 and FY2013. Therefore, an inflow of economic benefit to our Group associated with the termination compensation remained uncertain as of FY2012 and FY2013 and thus, the termination compensation had not been recognised as our Group’s income for FY2012 or for FY2013. Subsequently, the project was completed on 13 May 2013. As a result, the economic benefit associated with the termination compensation became probable to flow to our Group in FY2014, and thus the termination compensation was recognised as our Group’s income for FY2014;

- (b) gain on disposal of property, plant and equipment, which was recognised due to the disposal of certain machinery and motor vehicles during the Track Record Period due to replacement;
- (c) insurance claim, which represented insurance compensations for certain workers’ injury cases;
- (d) rental income from lease of machinery, which was derived from our lease of machinery to our subcontractors when necessary as disclosed in the section headed “Business — Our services — Operation flow — Execution, project management and supervision” of this prospectus; and
- (e) sundry income, which mainly represented handling charges paid by our subcontractors to us when our subcontractors requested our assistance in the procurement of construction materials.



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Please refer to the paragraph headed “Period-to-period comparison of results of operations” of this section for a discussion of material fluctuations in our other income.

### Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	<b>FY2014</b>		<b>FY2015</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs (including Directors' remuneration)	1,735	40.68	1,542	19.82
Depreciation	1,033	24.22	341	4.38
Operating lease charges	360	8.44	360	4.63
Motor vehicle expenses	261	6.12	104	1.34
Entertainment	184	4.31	27	0.35
Professional fees	166	3.89	130	1.67
Utilities and telecommunications	64	1.50	69	0.89
Building management fee	64	1.50	67	0.86
Donation	61	1.43	54	0.69
Auditors' remuneration	57	1.34	50	0.64
Printing and stationery	39	0.91	79	1.02
Insurance	22	0.52	66	0.85
Listing expenses	—	—	4,737	60.89
Others	219	5.14	153	1.97
	<u>4,265</u>	<u>100.00</u>	<u>7,779</u>	<u>100.00</u>

Our administrative expenses during the Track Record Period comprised:

- (a) staff costs (including Directors' remuneration), which include salaries, wages, contributions to defined contribution retirement plans, and other benefits provided to our Directors and our administrative and office staff;
- (b) depreciation, which represents depreciation charges in respect of our fixed assets which are not directly involved in our projects;
- (c) operating lease charges, which represent rental costs in respect of our leased premises;
- (d) motor vehicle expenses, which represent costs in relation to the use of our motor vehicles;
- (e) entertainment expenses, which mainly represent costs incurred to maintain relationship with our existing and potential customers and suppliers;

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- (f) professional fees, which include ISO certification fee and safety audit fees;
- (g) utilities and telecommunications expenses, which include costs of electricity, water, telephone, etc.;
- (h) building management fee, which are fees to the property management company for the general management of the building in which our leased premises is located;
- (i) donation, which represents donations to industry associations;
- (j) auditors' remuneration, which are fees to our auditors;
- (k) printing and stationery, which represent costs in relation to printing and stationery;
- (l) insurance expenses, which represent cost for maintaining insurance policies not directly related to the provision of our services; and
- (m) listing expenses, which represent expenses in relation to the Listing.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" of this section for a discussion of material fluctuations in our administrative expenses.

### Finance costs

Our finance costs during the Track Record Period represented interest expenses on our bank borrowings obtained to finance our general business operations. Details of our bank borrowings are disclosed in the paragraph headed "Indebtedness" in this section.

### Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	<b>FY2014</b>	<b>FY2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>14,135</u>	<u>14,601</u>
Tax at Hong Kong profits tax rates of 16.5% (2014: 16.5%)	2,332	2,409
Tax effect of expense not deductible for tax purpose	1	775
Temporary differences not recognised	<u>265</u>	<u>(14)</u>
Income tax expense for the year	<u>2,598</u>	<u>3,170</u>

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During the Track Record Period, our effective tax rates (calculated as income tax expense for the year divided by profit before taxation) were as follows:

	<b>FY2014</b>	<b>FY2015</b>
Effective tax rate	18.38%	21.71%

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### FY2015 compared with FY2014

##### *Revenue*

Our revenue increased from approximately HK\$128.30 million for FY2014 to approximately HK\$157.35 million for FY2015, representing an increase of approximately 22.64% or approximately HK\$29.05 million. Such increase was mainly due to the following:

- (i) We recorded an increase in the number of public sector projects with revenue contribution to us and an increase in our revenue derived from such public sector projects as illustrated in the table below:

	<b>Number of projects with revenue contribution to us</b>		<b>Corresponding amount of revenue recognised</b>	
	<i>(Note 1)</i>		<i>(Note 2)</i>	
	<b>FY2014</b>	<b>FY2015</b>	<b>FY2014</b>	<b>FY2015</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Public sector projects	8	11	107,852	139,330
Private sector projects	10	7	20,258	17,791
<b>Total</b>	<b>18</b>	<b>18</b>	<b>128,110</b>	<b>157,121</b>

##### *Notes:*

1. Projects with revenue contribution to us in both FY2014 and FY2015 are counted in both financial years in the above table. Examples include when our engagement with respect to a project was confirmed during FY2014 while the relevant works were carried out from FY2014 through FY2015.
2. The total amount of revenue in this table does not include consultancy fee derived from our consultancy services.

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- (ii) In particular, we derived a higher amount of revenue from CEDD's slope works projects that were ongoing in both FY2014 and FY2015, which was due to our actual works progress under the relevant contracts as certified by CEDD/its agent:

CEDD's project	Our role and type of works	Date of commencement of works	Date of proposed completion	Amount of revenue recognised	
				FY2014 HK\$'000	FY2015 HK\$'000
1	Main contractor; slope works	October 2012	October 2015	19,858	28,073
2	Main contractor; slope works	December 2012	December 2015	15,213	25,197
3	Main contractor; slope works	March 2013	November 2015	21,440	20,512
4	Main contractor; slope works	March 2014	September 2016	306	11,107
5	Main contractor; slope works	December 2014	June 2016	—	2,528
Total				<u>56,817</u>	<u>87,417</u>

### *Direct costs*

Our direct costs increased from approximately HK\$112.76 million for FY2014 to approximately HK\$136.58 million for FY2015, representing an increase of approximately 21.13%, which was slightly lower than the increase in our revenue of approximately 22.64% primarily as a result of the combined effect of the following:

- (i) Our subcontracting charges, being the most significant component of our direct costs, increased from approximately HK\$97.45 million for FY2014 to approximately HK\$127.88 million for FY2015 due to the increase in amount of works performed. The percentage increase in our subcontracting charges was approximately 31.22%, which was higher than the percentage increase in our revenue. This was mainly because:
- (a) typically, we would be more willing to set our tender price for a project with a large contract sum based on a relatively lower expected margin (being the contract sum minus the expected subcontracting charges and then divided by the contract sum) because of the relatively larger absolute amount of profit (being the contract sum minus the expected subcontracting charges) expected to be derived from the project, while in FY2015, a larger portion of our revenue was derived from public sector projects, especially CEDD's slope works projects, which are generally of larger contract sums when compared with private sector projects; and

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- (b) in FY2014, we laid off our direct labours for carrying out site works as we consider that engaging subcontractors to carry out site works instead of relying on our own direct labours is in the interest of our Group because it allows us to (1) select from a pool of subcontractors with different skillsets that suit the requirements of different projects without the need to retain all of them as our employees; (2) focus on the project management and supervision functions; and (3) deploy our resources in a more cost-effective manner and without the need to maintain a large workforce of full-time staff.
- (ii) Our staff costs decreased from approximately HK\$6.70 million for FY2014 to approximately HK\$5.11 million for FY2015, representing a decrease of approximately 23.77%. This was mainly because of the lower amount of costs of staff agreed to be borne by us in FY2015 than in FY2014 pursuant to our agreements with our subcontractors on a case-by-case basis. The layoff of our direct labours for carrying site works in FY2014 as mentioned above also contributed to the decrease in our staff costs.
- (iii) Our costs of direct materials and consumables decreased from approximately HK\$3.31 million for FY2014 to approximately HK\$1.14 million for FY2015, representing a decrease of approximately 65.74%. This was mainly because of the lower amount of costs of materials and consumables agreed to be borne by us in FY2015 than in FY2014 pursuant to our agreements with our subcontractors on a case-by-case basis.
- (iv) Our insurance expenses (included in direct costs) decreased from approximately HK\$0.85 million for FY2014 to approximately HK\$0.32 million for FY2015 mainly due to the lower amount of insurance costs borne by us in our projects in FY2015, as some of the costs of taking out project-related insurance policies may be wholly or partially borne by us and/or by our subcontractors depending on our agreements with our subcontractors on a case-by-case basis.

Despite the more-than-proportionate increase in our subcontracting charges, the decreases in other components of our direct costs resulted in the overall lower percentage increase of our direct costs (approximately 21.13%) as compared with the percentage increase in our revenue (approximately 22.64%).

### *Gross profit and gross profit margin*

Our gross profit and gross profit margin during the Track Record Period were as follows:

	<b>FY2014</b>	<b>FY2015</b>
Revenue ( <i>HK\$'000</i> )	128,295	157,346
Gross profit ( <i>HK\$'000</i> )	15,540	20,766
Gross profit margin	12.11%	13.20%

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Our gross profit margin slightly increased by approximately 1.09 percentage points from approximately 12.11% for FY2014 to approximately 13.20% for FY2015 mainly due to the slightly lower percentage increase in our direct costs than the percentage increase in our revenue as explained above.

The following table sets forth our overall gross profit margins for our public sector projects and private sector projects during the Track Record Period:

	FY2014	FY2015
Gross profit margin		
— Public sector projects	8.80%	12.10%
— Private sector projects	28.97%	20.70%

We would normally be more willing to set our tender price for a project with a large contract sum based on a relatively lower expected margin (being the contract sum minus the expected subcontracting charges and then divided by the contract sum) because of the relatively larger absolute amount of profit (being the contract sum minus the expected subcontracting charges) expected to be derived from the project. As such, during the Track Record Period, we recorded lower gross profit margin for our public sector projects (which were generally of larger contract sums) than for our private sector projects.

During the Track Record Period, our gross profit margin varied substantially from project to project, ranging from lower than 10% to above 20% for public sector projects, and from lower than 10% to above 70% for private sector projects. Such substantial variation of gross profit margin from project to project was caused by the following factors:

- ***The size of the project.*** As discussed above, we would normally be more willing to set our tender price for a project with a larger contract sum based on a relatively lower expected margin because of the relatively larger absolute amount of profit expected to be derived from the project.
- ***Nature and complexity of works.*** Different projects may involve different types of works to be performed by different methods and/or by using different types and amounts of resources such as labours of different skills, materials of different types, and machinery of different functionalities. When preparing our tender price, we may take into account the likelihood of any material deviation of the actual cost from our estimated cost having regard to the estimated subcontracting charges to be incurred by us by estimating the expected costs of our subcontractors with reference to the different types and amounts of resources required for the performance of different types of works. In order to allow for any potential deviation, we may prepare our tender price accordingly with different level of expected margin depending on the likelihood of any material deviation of the actual cost from our estimated cost. In addition, when setting our tender price, we also take into account the portion of costs of staff, direct materials and consumables and insurance that may be wholly or partially borne by us and/or by our subcontractors based on our preliminary negotiations with our subcontractors on a case-by-case basis.

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- **Competition.** Competition for a particular project is subject to the commercial decisions of our competitors, which are out of our control. If the level of competition of a particular project is low (which may in turn be caused by our competitors' workload and capacity from time to time, the nature and complexity of the works involved, etc.) or if our competitors' tender prices are relatively high due to their own commercial decisions, we may be able to succeed in a tender even if our tender price is not particularly competitive.
- **Formula approach.** When evaluating a tender for Government works contracts, the relevant Government department may adopt the "formula approach" where an overall score for each conforming tender is calculated as to 60% based on the tender price and as to 40% based on the tenderer's performance rating under the Contractors' Performance Index System and the tenderer's safety rating based on its past accident rates under public works contracts. As such, even if our tender price is not particularly competitive, we may still be able to succeed in a tender under the formula approach when our performance rating is sufficiently high (see the section headed "Business — Competitive strengths" in this prospectus) compared to the performance ratings of our competitors for a particular tender.
- **Negotiation with subcontractors.** While we may obtain preliminary quotations from subcontractors when preparing our tender prices, the final agreed prices with subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with subcontractors may result in higher or lower final prices as agreed with subcontractors, thereby resulting in higher or lower gross margin. Subcontractors' prices may also be affected by negotiations on the portion of costs of staff, direct materials and consumables and insurance that may be wholly or partially borne by us and/or by our subcontractors depending on our agreements with our subcontractors on a case-by-case basis. In addition, our Directors consider that subcontractors' prices are subject to their own commercial decisions having regard to factors such as their own estimation of the costs, the potential enhancement of their reputation if a particular project is successfully pursued, their business relationship with us, their workload at the relevant time, the availability of their resources required for the works, etc.

As a result of the combined effect of the above factors, our gross profit margin varied substantially from project to project during the Track Record Period. Due to the combination of our projects from time to time with different levels of gross margins, our overall gross profit margin for our public sector projects increased from approximately 8.80% for FY2014 to approximately 12.10% for FY2015 and our overall gross profit margin for our private sector projects decreased from approximately 28.97% for FY2014 to approximately 20.70% for FY2015.

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Specifically, the increase in our overall gross profit margin for our public sector projects were mainly contributed by the following project:

<b>Project number</b> <i>(Note)</i>	<b>Customer</b>	<b>Amount of revenue recognised for FY2014</b> <i>HK\$'000</i>	<b>Amount of revenue recognised for FY2015</b> <i>HK\$'000</i>
16	Lands Department	23,241	26,994

*Note:* Project number means the project number as referred to in the section headed “Business — Projects undertaken during the Track Record Period” of this prospectus.

Similar to other projects, we had prepared our tender price for this project based on, among other things, our estimation of costs expected to be incurred by us in this project having regard to the nature and complexity of the works, as well as the likelihood of any potential deviation of the actual cost from our estimated cost. During FY2014, the actual costs incurred for this project were in the higher end of the range of our original estimation, while during FY2015, the actual costs incurred were in the lower end of the range, primarily as a result of the differences in the nature and complexity of the works performed by different subcontractors involved in the project in FY2014 and FY2015 and our negotiation with the subcontractors. As such, our overall gross profit margin for this project was below 10% for FY2014 but above 20% for FY2015, resulting in an increase of more than HK\$5 million in gross profit derived from this project (despite the less substantial increase in revenue derived from this project from approximately HK\$23.24 million for FY2014 to approximately HK\$26.99 million for FY2015).



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The decrease in our overall gross profit margin for our private sector projects were mainly due to the completion of the following projects with relatively high profit margins (ranging from above 30% to above 70% due to factors mentioned above such as the relatively small contract sums of the projects, the nature and complexity of the works that resulted in higher likelihood of deviation of the actual cost from our estimated cost which warranted higher margin to allow for any material deviation, less fierce competition experienced by us when tendering for such projects, and/or our negotiations with subcontractors) which had revenue contribution to us mainly in FY2014:

Project number (Note)	Customer	Amount of revenue recognised for FY2014 HK\$'000	Amount of revenue recognised for FY2015 HK\$'000
3	Customer B as referred to in the section headed "Business — Customers — Top customers" of this prospectus	6,329	—
17	A bank in Hong Kong and subsidiary of England incorporated bank listed on the Main Board of the Stock Exchange	2,580	239
21	A secondary school in Hong Kong	696	—
22	A contractor in the construction industry in Hong Kong engaged in, among others, general building works	242	—
23	An owners' corporation of a residential property in Hong Kong	133	—

*Note:* Project number means the project number as referred to in the section headed "Business — Projects undertaken during the Track Record Period" of this prospectus.

### *Other income*

Our other income decreased from approximately HK\$2.87 million for FY2014 to approximately HK\$1.68 million for FY2015, representing a decrease of approximately 41.43%, which was primarily due to the combined effect of the following:

- (i) the recognition of a one-off termination compensation of approximately HK\$2.25 million in FY2014 (FY2015: nil) as disclosed in the paragraph headed "Principal components of results of operations — Other income" above in this section; and
- (ii) the recognition of a one-off gain on disposal of property, plant and equipment of approximately HK\$0.84 million in FY2015 (FY2014: nil) as disclosed in the paragraph headed "Principal components of results of operations — Other income" above in this section.

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### *Administrative expenses*

Our administrative expenses increased significantly by approximately 82.39% from approximately HK\$4.27 million for FY2014 to approximately HK\$7.78 million for FY2015. Such increase was mainly due to the non-recurring listing expenses of approximately HK\$4.74 million incurred in FY2015 (FY2014: nil) in relation to the Listing.

Staff costs (including Directors' remuneration) under administrative expenses decreased from approximately HK\$1.74 million for FY2014 to approximately HK\$1.54 million for FY2015 mainly due to a decrease in the amount of discretionary performance bonus paid to certain staff.

### *Finance costs*

Our finance costs accounted for less than 0.01% of our revenue for FY2014 and less than 0.04% of our revenue for FY2015. Our finance costs increased from approximately HK\$12,000 for FY2014 to approximately HK\$68,000 for FY2015 as we increased the use of bank borrowings to finance our business operations. For further information regarding our borrowings, please refer to the paragraph headed "Indebtedness" below in this section.

### *Income tax expense*

Our profit before tax slightly increased by approximately 3.30% from approximately HK\$14.14 million for FY2014 to approximately HK\$14.60 million for FY2015 as a result of all of the aforesaid and in particular the combined effect of the increase in our revenue and the recognition of listing expenses in FY2015 as explained above.

Despite so, our income tax expense increased from approximately HK\$2.60 million for FY2014 to approximately HK\$3.17 million for FY2015, representing an increase of approximately 22.02%, which was higher than the increase in our profit before tax of approximately 3.3% as a result of the tax effect of the non-deductible listing expenses incurred in FY2015 in relation to the Listing.

### *Profit and total comprehensive income for the year*

As a result of the aforesaid and in particular the combined effect of the increase in our revenue, the recognition of listing expenses in FY2015, and the tax effect of the non-deductible listing expenses as explained above, our profit and total comprehensive income slightly decreased from approximately HK\$11.54 million for FY2014 to approximately HK\$11.43 million for FY2015, representing a decrease of approximately 0.92%.

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### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital and to fund our business expansion. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Placing to finance a portion of our liquidity requirements.

As at 31 August 2015, we had cash and bank balances of approximately HK\$26.32 million (of which cash at bank of approximately HK\$3.05 million as at 31 August 2015 was subject to a floating charge for securing general banking facilities as disclosed in the paragraph headed “Indebtedness — Borrowings” in this section) and we had undrawn banking facilities of approximately HK\$23.00 million.

### Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	<b>FY2014</b>	<b>FY2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	1,366	10,630
Net cash (used in)/generated from investing activities	(2,762)	2,973
Net cash (used in)/generated from financing activities	<u>(2,800)</u>	<u>6,602</u>
Net (decrease)/increase in cash and cash equivalents	(4,196)	20,205
Cash and cash equivalents at beginning of year	<u>6,745</u>	<u>2,549</u>
Cash and cash equivalents at end of year	<u><u>2,549</u></u>	<u><u>22,754</u></u>

### *Cash flows from operating activities*

Our operating cash inflow is primarily derived from our revenue from undertaking contract works, whereas our operating cash outflow mainly includes payment for subcontracting charges, staff costs, purchase of construction materials and consumables, as well as other working capital needs. Net cash generated from operations primarily consisted of profit before tax adjusted for depreciation, gain on disposal of property, plant and equipment, finance costs and the effect of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables, amount due to or from customers on construction contracts.

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The following table sets forth a reconciliation of our profit before tax to net cash generated from operating activities:

	FY2014	FY2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>		
Profit before tax	14,135	14,601
Adjustments for:		
Depreciation	2,003	1,260
Finance costs	12	68
Gain on disposal of property, plant and equipment	<u>—</u>	<u>(839)</u>
Operating profit before working capital changes	16,150	15,090
Increase in trade and other receivables	(14,184)	(1,070)
Increase in amounts due from customers on construction contracts	(4,420)	(1,296)
Increase/(decrease) in trade and other payables	9,216	(3,046)
Increase/(decrease) in amounts due to customers on construction contracts	<u>713</u>	<u>(658)</u>
Cash generated from operations	7,475	9,020
Interest paid	(12)	(68)
Income tax (paid)/refund	<u>(6,097)</u>	<u>1,678</u>
<i>Net cash generated from operating activities</i>	<u><u>1,366</u></u>	<u><u>10,630</u></u>

Cash flows from operating activities can be affected considerably by factors such as the amount and timing of collection of trade receivables from customers as well as the amount and timing of payment of trade and other payables to suppliers during our ordinary course of business. During the Track Record Period, our cash flows from operating activities were also substantially affected by cash used in paying tax and cash generated from income tax refund as further discussed below.

For FY2014, we recorded net cash generated from operating activities of approximately HK\$1.37 million mainly as a result of cash generated from our profitable operations, which however was largely offset by cash used in paying income tax during FY2014. Cash used in paying income tax during FY2014 amounted to approximately HK\$6.10 million (as opposed to cash generated from income tax refund during FY2015 of approximately HK\$1.68 million), which was mainly due to additional tax paid arising from revised tax computation in accordance with adjustments made in audited financial statements of prior financial years before the Track Record Period.

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For FY2015, we recorded net cash generated from operating activities of approximately HK\$10.63 million mainly as a result of cash generated from our profitable operations, coupled with cash generated from income tax refund during FY2015. Cash generated from income tax refund during FY2015 amounted to approximately HK\$1.68 million, which was mainly due to the refund of provisional tax over-paid in prior years.

### *Cash flows from investing activities*

During the Track Record Period, our cash inflows from investing activities included proceeds from the disposal of machinery and motor vehicles as well as cash repayments from Mr. Yu and Mars Glare for the amounts due from them, while our cash outflows from investing activities included cash used in purchasing motor vehicle and furniture and fixtures as well as cash advances from us to Mr. Yu and Mars Glare for their own personal use.

For FY2014, we recorded net cash used in investing activities of approximately HK\$2.76 million, which was mainly due to the cash outflow arising from the increase in amount due from Mr. Yu for his personal use which amounted to approximately HK\$8.85 million, partially offset by the cash inflow arising from the decrease in amount due from Mars Glare which amounted to approximately HK\$6.09 million.

For FY2015, we recorded net cash generated from investing activities of approximately HK\$2.97 million, which was mainly due to the cash inflows arising from the decrease in amount due from Mr. Yu which amounted to approximately HK\$8.57 million, as well as the proceeds from the disposal of certain machinery and motor vehicles, partially offset by the cash outflows arising from the increase in amount due from Mars Glare for its own use which amounted to approximately HK\$6.05 million, as well as the purchase of motor vehicle and furniture and fixtures.

### *Cash flows from financing activities*

During the Track Record Period, our cash inflows from financing activities included proceeds from issuance of share capital, proceeds from new borrowings, and cash advance from Mr. Yu, while our cash outflows from financing activities included cash used in paying dividends and repaying borrowings.

For FY2014, we recorded net cash used in financing activities of approximately HK\$2.80 million, which was mainly due to cash used in paying dividends of HK\$10.80 million and in repaying borrowings of HK\$4.00 million, partially offset by proceeds from issuance of share capital of HK\$8.00 million and proceeds from new borrowings of HK\$4.00 million.

For FY2015, we recorded net cash generated from financing activities of approximately HK\$6.60 million, which was mainly due to proceeds from new borrowings of HK\$24.00 million and cash advance from Mr. Yu of approximately HK\$1.60 million, partially offset by cash used in repayment of borrowings of HK\$19.00 million.

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### Capital expenditures

During the Track Record Period, our Group did not incur material capital expenditures due to our business model. Our capital expenditures during the Track Record Period amounted to approximately HK\$0.49 million in aggregate, which comprised approximately HK\$0.38 million for motor vehicles and approximately HK\$0.11 million for furniture and fixtures.

### Working capital

Our Directors are of the opinion that, taking into consideration our internal resources, available banking facilities, cash generated from our operation, and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 30 April 2014 <i>HK\$'000</i>	As at 30 April 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i> <i>(unaudited)</i>
<b>Current assets</b>			
Trade and other receivables	36,560	37,630	22,327
Amount due from a director	8,565	—	—
Amount due from a related company	251	6,296	—
Amounts due from customers on construction contracts	6,265	7,561	8,784
Cash and bank balances	<u>2,549</u>	<u>22,754</u>	<u>26,317</u>
	<u>54,190</u>	<u>74,241</u>	<u>57,428</u>
<b>Current liabilities</b>			
Trade and other payables	22,764	19,718	16,661
Amounts due to customers on construction contracts	1,284	626	641
Borrowings, secured	—	5,000	—
Amount due to a director	—	1,602	—
Obligation under finance lease	—	—	23
Tax payable	<u>48</u>	<u>4,896</u>	<u>5,578</u>
	<u>24,096</u>	<u>31,842</u>	<u>22,903</u>
<b>Net current assets</b>	<u><u>30,094</u></u>	<u><u>42,399</u></u>	<u><u>34,525</u></u>

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As at 30 April 2014 and 2015, our net current assets amounted to approximately HK\$30.09 million and approximately HK\$42.40 million respectively, representing an increase of approximately 40.89%. Such increase was mainly due to the increase in our cash and bank balances as explained in the paragraph headed “Liquidity and capital resources — Cash flows” in this section above, partially offset by the increase in our current liabilities and in particular our drawdown of banking facilities of HK\$5 million as at 30 April 2015 as further discussed in the paragraph headed “Indebtedness” below in this section.

As at 31 August 2015, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$34.53 million, representing a decrease of approximately 18.56% as compared with our net current assets as at 30 April 2015. Such decrease in our net current assets was mainly due to the use of cash for the payment of interim dividends in the aggregate amount of HK\$10,000,800 in August 2015. Some of our current assets/liabilities items as at 31 August 2015 have changed notably as compared to the corresponding amounts as at 30 April 2015, including (i) the decrease in trade and other receivables from approximately HK\$37.63 million as at 30 April 2015 to approximately HK\$22.33 million as at 31 August 2015 which was due to, among other factors, the decrease in overdue payments from customers, the decrease in retention receivables after completion of certain projects, and the fluctuations in the amounts of progress payments certified and settled for different projects close to the financial reporting date; (ii) the decrease in amount due from a related company from approximately HK\$6.30 million as at 30 April 2015 to nil as at 31 August 2015 due to the full settlement of such amount; (iii) the decrease in borrowings from approximately HK\$5 million as at as at 30 April 2015 to nil as at 31 August 2015 as the sum had been repaid in May 2015 from our internal resources; and (iv) the increase in cash and cash equivalents from approximately HK\$22.75 million as at 30 April 2015 to approximately HK\$26.32 million as at 31 August 2015 mainly as a result of the cash flow generated from our profitable operations and the settlement of the aforesaid amount due from a related company of approximately HK\$6.3 million, which were partially offset by, among other things, the aforesaid payment of interim dividends of HK\$10,000,800 in August 2015 and the aforesaid repayment of borrowings of HK\$5 million in May 2015.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

### **Cash and bank balances**

Our cash and bank balances amounted to approximately HK\$2.55 million and approximately HK\$22.75 million as at 30 April 2014 and 2015 respectively, representing an increase of approximately 792.66%. The increase in our cash and bank balances is discussed in detail in the paragraph headed “Liquidity and capital resources — Cash flows” above in this section. Specifically, the significant increase in our cash and bank balances is mainly due to the following factors:

- (i) For FY2015, we recorded net cash generated from operating activities of approximately HK\$10.63 million mainly as a result of cash generated from our profitable operations.

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- (ii) During FY2014, cash was used in paying dividends of HK\$10.8 million, thereby lowering our cash and bank balances as at 30 April 2014. No cash was used in paying dividends during FY2015.
- (iii) For FY2015, we also recorded net cash inflow as a result of the net change in the amounts due to or from a director (Mr. Yu) and a related company (Mars Glare) as well as the net increase in our borrowings.

### Trade and other receivables

Our trade and other receivables as at 30 April 2014 and 2015 amounted to approximately HK\$36.56 million and approximately HK\$37.63 million respectively. The following table sets forth a breakdown of our trade and other receivables:

	<b>As at</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April 2015</b> <i>HK\$'000</i>
Trade receivables	25,232	25,912
Retention receivables	8,697	10,042
Other receivables and prepayment	1,127	850
Utility and other deposits	<u>1,504</u>	<u>826</u>
	<u>36,560</u>	<u>37,630</u>

Our trade receivables increased from approximately HK\$25.23 million as at 30 April 2014 to approximately HK\$25.91 million as at 30 April 2015, representing an increase of approximately 2.70%, which was lower than the percentage increase in our revenue of approximately 22.64%. This was primarily because of the fluctuation in the outstanding balance of our trade receivables as at the respective reporting dates due to the actual works progress of our ongoing projects, the amount certified by the relevant customers and the amount settled by the relevant customers to us as at the relevant time.

Our retention receivables increased from approximately HK\$8.70 million as at 30 April 2014 to approximately HK\$10.04 million as at 30 April 2015, representing an increase of approximately 15.47%, which was primarily because of the increase in the amount of retention money withheld by our customers (in particular, customers of public sector projects) pursuant to the relevant contract terms as a result of the increase in our revenue derived from public sector projects with retention money requirements.

Our other receivables and prepayment decreased from approximately HK\$1.13 million as at 30 April 2014 to approximately HK\$0.85 million as at 30 April 2015, which was primarily because the layoff of our direct labours in FY2014 resulted in our prepayment of long service payments (which were included in our other receivables and prepayment as at 30 April 2014) while such prepaid long service payments were subsequently offset by the refund received from the relevant mandatory provident fund schemes after 30 April 2014.



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Our utility and other deposits decreased from approximately HK\$1.50 million as at 30 April 2014 to approximately HK\$0.83 million as at 30 April 2015, which was primarily due to the release of deposits for performance bond taken out by us in respect of a project with performance bond requirement after the completion of such project during FY2015.

The following table sets forth our trade receivables turnover days during the Track Record Period:

	<b>FY2014</b>	<b>FY2015</b>
Trade receivables turnover days ( <i>Note</i> )	58.36 days	59.32 days

*Note:* Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention and other receivables) divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade receivables turnover days were approximately 58.36 days for FY2014 and approximately 59.32 days for FY2015, which remained relatively stable.

As the majority of our revenue during the Track Record Period was derived from public sector projects awarded by Government departments and statutory bodies, our Directors consider that the credit risk in relation to the collection of our trade receivables and retention receivables is relatively low. Nevertheless, we occasionally experienced overdue payments from our customers, in particular those of private sector projects. We have implemented a policy to monitor and evaluate overdue payments on a case-by-case basis and consider the appropriate follow-up actions (including but not limited to issuing payment reminders, actively communicating with customers, and, if necessary, taking legal actions) having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments to us, its financial position as well as the general economic environment.

The ageing analysis of our trade receivables based on the invoice dates (or date of revenue recognition, if earlier) is as follows:

	<b>At 30 April 2014</b>	<b>At 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	16,236	20,086
31 - 60 days	5,808	355
61 - 90 days	651	1,590
Over 90 days	<u>2,537</u>	<u>3,881</u>
	<u>25,232</u>	<u>25,912</u>

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The ageing analysis of our trade receivables which were past due but not impaired is as follows:

	<b>As at 30 April 2014</b>	<b>As at 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	22,044	20,086
Less than 30 days past due	651	355
31 - 60 days past due	—	1,590
61 - 90 days past due	—	33
Over 90 days past due	<u>2,537</u>	<u>3,848</u>
	<u>25,232</u>	<u>25,912</u>

As shown in the above table, the majority of our trade receivables as at 30 April 2014 and 2015 were neither past due nor impaired.

Up to the Latest Practicable Date, approximately 98.10% (or approximately HK\$25.42 million) of our trade receivables as at 30 April 2015 had been settled:

	<b>Trade receivables as at 30 April 2015</b>	<b>Subsequent settlement up to the Latest Practicable Date</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Neither past due nor impaired	20,086	20,086	100.00
Less than 30 days past due	355	355	100.00
31 - 60 days past due	1,590	1,098	69.06
61 - 90 days past due	33	33	100.00
Over 90 days past due	<u>3,848</u>	<u>3,848</u>	100.00
	<u>25,912</u>	<u>25,420</u>	98.10

We review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts. As at 30 April 2015, trade receivables which were past due but not impaired related to a number of independent customers that had a good track record of credit with us. Having considered the background of the relevant customers and their past credit history and given the subsequent settlement shown in the above table, our Directors believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Up to the Latest Practicable Date, 18.08% of our retention receivables as at 30 April 2015 had been settled. Retention money is usually withheld by customers for a prolonged period of time until

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normally after the receipt of completion certificate and/or the expiry of the defect liability period. In view of the nature of retention receivables and having considered our collection experience with the relevant customers, our Directors consider that the outstanding balance of retention receivables are recoverable.

Our Directors confirm that we had not experienced any material defaults of trade receivables during the Track Record Period and up to the Latest Practicable Date.

### Trade and other payables

As at 30 April 2014 and 2015, our trade and other payables amounted to approximately HK\$22.76 million and approximately HK\$19.72 million respectively. A breakdown of our trade and other payables is set out in the table below:

	As at 30 April 2014	As at 30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	17,644	13,297
Retention payables	3,042	4,993
Accruals and other payables	<u>2,078</u>	<u>1,428</u>
	<u>22,764</u>	<u>19,718</u>

Our trade payables primarily comprised payables to subcontractors and suppliers of construction materials and consumables. Our retention payables represent retention money held by us from our subcontractors (see the section “Business — Suppliers — Control over subcontractors” of this prospectus). Our accruals and other payables mainly include accruals and payables for staff salaries and allowances, professional fees and utilities.

Our trade payables decreased from approximately HK\$17.64 million as at 30 April 2014 to approximately HK\$13.30 million as at 30 April 2015, representing a decrease of approximately 24.64%. Such decrease was mainly because of a relatively substantial amount of outstanding trade payables as at 30 April 2014 that were to be settled by us to a subcontractor subject to our receipt of payments from a customer in accordance with our agreement with the relevant subcontractor.

Our retention payables increased from approximately HK\$3.04 million as at 30 April 2014 to approximately HK\$4.99 million as at 30 April 2015, which was mainly due to the increase in the amount of retention money withheld by us from our subcontractors pursuant to the relevant subcontracting agreements.

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The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	<b>As at</b>	<b>As at</b>
	<b>30 April 2014</b>	<b>30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	7,295	10,394
31 - 60 days	5,601	315
61 - 90 days	203	88
Over 90 days	<u>4,545</u>	<u>2,500</u>
	<u>17,644</u>	<u>13,297</u>

Up to the Latest Practicable Date, approximately 77.09% (or approximately HK\$10.25 million) of our trade payables as at 30 April 2015 had been settled.

We are usually granted by our suppliers a credit period of approximately 42-60 days. The following table sets out our trade payables turnover days during the Track Record Period:

	<b>FY2014</b>	<b>FY2015</b>
Trade payables turnover days ( <i>Note</i> )	47.20 days	41.34 days

*Note:* Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including retention payables, accruals and other payables) divided by direct costs for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade payables turnover days decreased from approximately 47.20 days for FY2014 to approximately 41.34 days for FY2015, which was mainly because of a relatively substantial amount of outstanding trade payables as at 30 April 2014 that were to be settled by us to a subcontractor subject to our receipt of payments from a customer in accordance with our agreement with the relevant subcontractor.

### Amount due from/(to) a director

The following table sets out the details of amount due from a director:

	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>1 May 2013</b>	<b>30 April 2014</b>	<b>30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from Mr. Yu	<u>—</u>	<u>8,565</u>	<u>—</u>
Maximum amounts outstanding during the year	<u>26,577</u>	<u>21,190</u>	<u>23,240</u>

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The following table sets out the details of amount due to a director:

	<b>As at</b> <b>1 May 2013</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April 2015</b> <i>HK\$'000</i>
Amount due to Mr. Yu	<u>283</u>	<u>—</u>	<u>1,602</u>

The amounts due from or to Mr. Yu were unsecured, non-interest bearing and repayable on demand. All outstanding balance with Mr. Yu has been fully settled as of the Latest Practicable Date.

### **Amount due from a related company**

The following table sets out the details of amount due from a related company:

	<b>As at</b> <b>1 May 2013</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>As at</b> <b>30 April 2015</b> <i>HK\$'000</i>
Amount due from Mars Glare	<u>6,377</u>	<u>251</u>	<u>6,296</u>
Maximum amounts outstanding during the year	<u>6,377</u>	<u>6,344</u>	<u>6,296</u>

Mars Glare is a company incorporated in Hong Kong on 9 March 1990 with limited liability and is owned as to 50% by Mr. Yu (our executive Director and one of our Controlling Shareholders) and as to 50% by Ms. Leung Wai Lan (who has been holding her interest in Mars Glare as a trustee for Mr. Yu pursuant to a declaration of trust dated 7 August 1990). Mars Glare is principally engaged in property holding and investment.

The amount due from Mars Glare arose as a result of the transfer of fund from our Group to Mars Glare for Mars Glare's intended investment use.

The amount due from Mars Glare is unsecured, non-interest bearing and repayable on demand. Such amount has been fully settled as of the Latest Practicable Date.

### **Amounts due to/from customers on construction contracts**

Construction contracts in progress at the reporting date are recorded in the statements of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. If progress billings exceed costs incurred plus recognised profit less recognised losses, the net amount will be recognised as amount due to customers on construction contracts under our current liabilities. Conversely, if costs incurred plus recognised profit less recognised losses exceed progress billings, the net amount will be recognised as amount due from customers on construction contracts under our current assets.

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The following table sets out the details of our amounts due to/from customers on construction contracts as at the dates indicated:

	<b>As at</b>	<b>As at</b>
	<b>30 April 2014</b>	<b>30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	136,453	265,387
Less: progress billings	<u>(131,472)</u>	<u>(258,452)</u>
Contract work-in-progress	<u>4,981</u>	<u>6,935</u>
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	6,265	7,561
Amounts due to customers on construction contracts	<u>(1,284)</u>	<u>(626)</u>
	<u>4,981</u>	<u>6,935</u>

The gross amounts due from/to customers for contract works are expected to be recovered/settled within one year.

### Cash and bank balances

The following table sets out a breakdown of our cash and bank balances:

	<b>As at</b>	<b>As at</b>
	<b>30 April 2014</b>	<b>30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank	2,540	22,754
Cash on hand	<u>9</u>	<u>—</u>
Cash and cash equivalents	<u>2,549</u>	<u>22,754</u>

All cash and cash equivalents are denominated in HK\$. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Among our cash at bank, as at 30 April 2014 and 2015, approximately HK\$0.47 million and HK\$20.13 million respectively were subject to a floating charge for securing general banking facilities as disclosed in the paragraph headed “Indebtedness — Borrowings” in this section.

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### INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the dates indicated. As of 31 August 2015, save as disclosed below, we did not have any other outstanding debt securities, term loans, borrowings, bank overdrafts, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other contingent liabilities. Since 31 August 2015, there has been no material adverse change in our indebtedness. Our Directors confirmed that we did not experience any withdrawal of facilities, default in payment of trade and other payables or bank borrowings, or breach of financial covenants, and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, none of our Group's borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings. As at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 30 April 2014 <i>HK\$'000</i>	As at 30 April 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i> <i>(unaudited)</i>
<b>Current:</b>			
Borrowings, secured	—	5,000	—
Amount due to a director	—	1,602	—
Obligation under finance lease	—	—	23
	<u>—</u>	<u>6,602</u>	<u>23</u>
<b>Non-current:</b>			
Obligation under finance lease	—	—	88
	<u>—</u>	<u>6,602</u>	<u>88</u>

### Borrowings

As at 30 April 2014 and 2015 and 31 August 2015, our secured bank borrowings were repayable as follows:

	As at 30 April 2014 <i>HK\$'000</i>	As at 30 April 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i> <i>(unaudited)</i>
Within 1 year	<u>—</u>	<u>5,000</u>	<u>—</u>

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During the Track Record Period, the bank borrowings were used for financing our daily operations. The bank borrowings were drawn under general banking facilities (the “**Facilities**”) made available by a bank in Hong Kong to the total extent of HK\$23 million. The effective interest rate was 3.233% per annum as at 30 April 2015. The amount of HK\$5 million utilised under the Facilities as at 30 April 2015 had been repaid in May 2015 from our internal resources.

The Facilities were secured by (i) the unlimited personal guarantee given by Mr. Yu and certain properties held by Mars Glare, which will be released and replaced by the corporate guarantee of our Company upon Listing; and (ii) a floating charge over certain bank accounts of our Group.

As at 30 April 2014 and 2015 and 31 August 2015, we had undrawn banking facilities (representing the unutilised amount under the Facilities) of HK\$23 million, HK\$18 million and HK\$23 million respectively.

### **Obligation under finance lease**

Our obligation under finance lease as at 31 August 2015 relates to an office equipment hiring agreement entered into between us and an office equipment provider in July 2015 in relation to our use of a copier machine by way of finance lease arrangement, under which we agreed to hire a copier machine from the office equipment provider at a monthly rental charge of approximately HK\$3,000 for a term of 5 years and we were given the option to purchase the copier machine at a nominal sum of HK\$200 at the end of the rental period.

### **Amount due to a director**

As at 30 April 2014 and 2015 and 31 August 2015, the amount due to a director amounted to nil, HK\$1,602,000 and nil respectively. Amount due to a director represents amount due to Mr. Yu which is unsecured, non-interest bearing and repayable on demand. Such amount represents advances from Mr. Yu to us for financing our daily operation and has been fully repaid by us to Mr. Yu from our internal resources as of the Latest Practicable Date.

### **Commitments**

At 30 April 2014 and 2015 and 31 August 2015, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating leases are as follows:

	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 April 2014</b>	<b>30 April 2015</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
			<i>(unaudited)</i>
Within one year	<u>360</u>	<u>—</u>	<u>256</u>



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We are the lessee in respect of properties under operating leases. The leases typically run for an initial period of one year. The leases do not include contingent rentals.

We had future aggregate minimum lease receipts under non-cancellable operating leases in respect of plant and machinery as follows:

	As at 30 April 2014 <i>HK\$'000</i>	As at 30 April 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i> <i>(unaudited)</i>
Within 1 year	—	164	—

We may lease our machinery to our subcontractors when necessary (see the section headed “Business — Our services — Operation flow — Execution, project management and supervision” in this prospectus). We lease our machinery under operating lease arrangements which run for an initial period of one to three months, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the parties.

### Contingent liabilities

As at 30 April 2014 and 2015 and 31 August 2015, we have been involved in a number of claims and potential claims regarding employees’ compensation and common law personal injury as disclosed in the section headed “Business — Litigation and claims” in this prospectus. Our Directors are of the opinion that the claims are not expected to have a material impact on our financial information, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to our financial information.

### Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

### KEY FINANCIAL RATIOS

	FY2014/ As at 30 April 2014	FY2015/ As at 30 April 2015
Revenue growth	N/A	22.64%
Net profit growth	N/A	(0.92)%
Gross profit margin	12.11%	13.20%
Net profit margin before interest and tax	11.03%	9.32%
Net profit margin	8.99%	7.26%
Return on equity	36.44%	26.53%
Return on assets	20.70%	15.26%
Current ratio	2.25	2.33
Quick ratio	2.25	2.33
Inventories turnover days	N/A	N/A
Trade receivables turnover days	58.36 days	59.32 days
Trade payables turnover days	47.20 days	41.34 days
Gearing ratio	0.00%	15.32%
Net debt to equity ratio	Net cash	Net cash
Interest coverage	1,178.75	215.72

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### Revenue growth

Our revenue increased from approximately HK\$128.30 million for FY2014 to approximately HK\$157.35 million for FY2015, representing an increase of approximately 22.64%.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the decrease in our revenue.

### Net profit growth

Our profit and total comprehensive income for the year decreased from approximately HK\$11.54 million for FY2014 to approximately HK\$11.43 million for FY2015, representing a slight decrease of approximately 0.92%.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the decrease in our net profit.

### Gross profit margin

Our gross profit margin was approximately 12.11% for FY2014 and approximately 13.20% for FY2015, representing an increase of approximately 1.09 percentage points.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the increase in our gross profit margin.

### Net profit margin before interest and tax

Net profit margin is calculated as profit for the year attributable to owners of our Company divided by revenue of the respective year.

Our net profit margin before interest and tax was approximately 11.03% for FY2014 and approximately 9.32% for FY2015, representing a decrease of approximately 1.71 percentage points. Despite our slightly higher gross profit margin in FY2015 than that in FY2014 as explained above, our net profit margin before interest and tax decreased mainly due to the recognition of non-recurring listing expenses of approximately HK\$4.74 million in FY2015 (FY2014: nil).

If the listing expenses of approximately HK\$4.74 million were excluded, our net profit margin before interest and tax for FY2015 would have become approximately 12.33%, representing an increase of approximately 1.30 percentage points from that for FY2014, which would be mainly due to our increase in gross profit margin as explained above.

### Net profit margin

Net profit margin is calculated as profit and total comprehensive income for the year divided by revenue of the respective year.

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Our net profit margin was approximately 8.99% for FY2014 and approximately 7.26% for FY2015, representing a decrease of approximately 1.73 percentage points. The decrease in our net profit margin was mainly due to the recognition of non-recurring listing expenses of approximately HK\$4.74 million in FY2015 (FY2014: nil), coupled with the tax effect of the non-deductible listing expenses.

If the listing expenses of approximately HK\$4.74 million were excluded, our net profit margin for FY2015 would have become approximately 10.28%, representing an increase of approximately 1.29 percentage points from that for FY2014, which would be mainly due to our increase in gross profit margin as explained above.

### **Return on equity**

Return on equity is calculated as profit for the year attributable to owners of our Company divided by the ending total equity as at the respective reporting date.

Our return on equity decreased from approximately 36.44% for FY2014 to approximately 26.53% for FY2015, representing a decrease of approximately 9.91 percentage points. Such decrease was mainly due to the recognition of non-recurring listing expenses of approximately HK\$4.74 million in FY2015 (FY2014: nil). If the listing expenses of approximately HK\$4.74 million were excluded, our return on equity for FY2015 would have become approximately 37.53%, which would be generally in line with our return on equity for FY2014.

### **Return on assets**

Return on assets is calculated as profit for the year attributable to owners of our Company divided by the ending total assets as at the respective reporting date.

Our return on assets decreased from approximately 20.70% for FY2014 to approximately 15.26% for FY2015, representing a decrease of approximately 5.44 percentage points. Similar to the reason for the decrease in our return on equity, the decrease in our return on assets was mainly due to the recognition of non-recurring listing expenses of approximately HK\$4.74 million in FY2015 (FY2014: nil). If the listing expenses of approximately HK\$4.74 million were excluded, our return on assets for FY2015 would have become approximately 21.58%, which would be generally in line with our return on assets for FY2014.

### **Current ratio**

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting date.

Our current ratio remained relatively stable at approximately 2.25 as at 30 April 2014 and approximately 2.33 as at 30 April 2015. In order to satisfy the various working capital requirements associated with undertaking contract works (including, in particular, the statutory working capital requirements in relation to our retention on the List of Approved Specialist Contractors for Public Works as discussed in the section headed “Business — Our services — Working capital requirements

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associated with undertaking contract works” in this prospectus), we strive to maintain a healthy level of working capital (calculated as current assets minus current liabilities) at all times. Measures adopted by us to manage our liquidity position are discussed in the section headed “Business — Our services — Working capital requirements associated with undertaking contract works” in this prospectus.

### **Quick ratio**

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting date. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio is the same as our current ratio.

### **Inventories turnover days**

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

### **Trade receivables turnover days**

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention and other receivables) divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade receivables turnover days were approximately 58.36 days for FY2014 and approximately 59.32 days for FY2015, which remained relatively stable.

### **Trade payables turnover days**

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including retention payables, accruals and other payables) divided by direct costs for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Our trade payables turnover days decreased from approximately 47.20 days for FY2014 to approximately 41.34 days for FY2015.

Please refer to the paragraph headed “Net current assets — Trade and other payables” in this section for the reasons for the decrease in our trade payables turnover days.

### **Gearing ratio**

Gearing ratio is calculated as total borrowings divided by the total equity as at the respective reporting date.

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Our gearing ratio was zero as at 30 April 2014 and approximately 15.32% as at 30 April 2015, which remained at a relatively low level during the Track Record Period. As at 30 April 2014, we did not have any outstanding bank borrowings. As at 30 April 2015, we had bank borrowings of HK\$5.00 million drawn under general banking facilities as well as amount due to Mr. Yu of approximately HK\$1.60 million which were used to finance our business operations.

### Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. payables incurred not in the ordinary course of business net of cash and cash equivalents) divided by total equity as at the respective reporting date.

We recorded net cash positions as at both 30 April 2014 and 2015.

### Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting year.

Our interest coverage remained relatively high at approximately 1,178.75 times as at 30 April 2014 and at approximately 215.72 times as at 30 April 2015, mainly due to our relatively low level of interest-bearing borrowings during the Track Record Period.

## RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 23 to the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, our transactions with related parties mainly include the following:

Name of related party	Nature	FY2014	FY2015
		HK\$'000	HK\$'000
Mars Glare	Rental payments by us to Mars Glare for the lease of certain properties	360	360

Further information regarding the above related party transactions is set forth in the section headed "Connected transactions" in this prospectus.

It is the view of our Directors that each of such related party transactions were conducted in our ordinary and usual course of business and on normal commercial terms between Mars Glare and us or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of our Company and our Shareholders as a whole and would not distort our results during the Track Record Period.

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### FINANCIAL RISK AND CAPITAL MANAGEMENT

#### Financial risk management

We are exposed to financial risks in our ordinary course of operations including interest rate risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimise potential adverse effects on our financial performance. Risk management is carried out by our senior management and approved by our Board.

Our exposure to these risks and the financial risk management policies and practices used by our Group to manage these risks are described below.

#### *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. Our Directors consider that we do not have significant exposure to the risk of changes in market interest rates as we do not have any long-term receivables or significant long-term debt obligations with a floating rate.

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

#### *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 us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations. Our maximum exposure to credit risk on recognised financial assets (including trade and other receivables, amount due from a director, amount due from a related company, and cash and bank balances) is limited to their respective carrying amounts.

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 and 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, we review 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.

We had concentration of credit risk as approximately 21% and 57% of our total trade and other receivables as at 30 April 2014 and 2015 respectively were due from our largest customer (i.e. CEDD), and approximately 47% and 65% from our five largest customers respectively. The aggregate amounts of trade and other receivables amounted to approximately HK\$7,837,000 and HK\$17,774,000 from our largest customer, and HK\$20,976,000 and HK\$24,588,000 from our five largest customers, as at 30 April 2014 and 2015 respectively. Despite such concentration, our Directors consider that the credit risk in this connection is relatively low as the majority of our revenue during the Track Record Period was derived from the Government and statutory bodies in Hong Kong.

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Our Directors consider that there are no material credit risks in respect of the amounts due from Mr. Yu and Mars Glare as well as our bank balances.

### *Liquidity risk*

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

Management monitors our cash flow forecasts in meeting our liabilities. Analysed below is our remaining contractual maturities for our non-derivative financial liabilities as at 30 April 2014 and 2015. 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 we can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which we are committed to pay.

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

	<b>On demand or within one year</b>	<b>Total undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 April 2014</b>			
Trade and other payables	22,764	22,764	22,764

	<b>On demand or within one year</b>	<b>Total undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 April 2015</b>			
Trade and other payables	19,718	19,718	19,718
Borrowings	5,013	5,013	5,000
Amount due to a director	1,602	1,602	1,602
	26,333	26,333	26,320

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We consider expected cash flows from financial assets in assessing and managing liquidity risk, in particular, our cash resources and other liquid assets that readily generate cash. Our existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

### *Foreign exchange risk*

We do not have any exposure to foreign exchange risk.

### **Capital management**

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

We actively and regularly review our capital structure and make adjustments in light of changes in economic conditions. We monitor our capital structure on the basis of the net debt to equity ratio. Our management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we 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, depending on our capital structure and needs from time to time. For a discussion of our gearing ratio and net debt to equity ratio, please refer to the paragraph headed “Key financial ratios” above in this section.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Placing on the audited combined net tangible assets of our Group attributable to equity holders of our Company as of 30 April 2015, as if the Placing had taken place on 30 April 2015.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to equity holders of our Company had the Placing been completed as at 30 April 2015 or at any future dates. It is prepared based on the audited



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## FINANCIAL INFORMATION

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combined net tangible assets of the Group attributable to equity holders of our Company as at 30 April 2015 as set out in the accountants' report in Appendix I to this prospectus, and adjusted as described below.

	<b>Audited combined net tangible assets of our Group attributable to equity holders of our Company as of 30 April 2015</b>	<b>Estimated net proceeds from the Placing</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group attributable to equity holders of our Company</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group attributable to equity holders of our Company per Share</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$0.2 per Share	<u>43,082</u>	<u>36,040</u>	<u>79,122</u>	<u>0.055</u>

*Notes:*

- (1) The amount is calculated based on audited combined net assets of our Group attributable to equity holders of our Company as of 30 April 2015 amounting to approximately HK\$43,082,000, as extracted from the accountants' report of our Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Placing are based on 205,000,000 New Shares at the Placing Price of HK\$0.20 per Share, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 April 2015.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,440,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of shares of the Placing and the Capitalisation Issue.

It should be noted that no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2015. Specifically, the unaudited pro forma financial information presented above does not take into account the interim dividends of HK\$10,000,800 which were declared and paid to Mr. Yu and Ms. Wong in August 2015. Had the effect of such interim dividends of HK\$10,000,800 been taken into account and with all other bases and assumptions for the calculation remaining the same, the unaudited pro forma adjusted combined net tangible assets per Share would have become HK\$0.048.

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## FINANCIAL INFORMATION

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### LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$17.03 million, which will be borne as to approximately HK\$9.70 million by us and as to approximately HK\$7.33 million by the Selling Shareholder in proportion to the ratio of the number of New Shares to the number of Sale Shares. Of the amount of approximately HK\$9.70 million to be borne by us, approximately HK\$2.14 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$7.56 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$7.56 million that shall be charged to profit or loss, nil and approximately HK\$4.74 million has been charged for each of FY2014 and FY2015 respectively, and approximately HK\$2.82 million is expected to be incurred for FY2016. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2016 will be affected by the estimated expenses in relation to the Listing.

### DIVIDEND

For each of FY2014 and FY2015, we declared dividends of HK\$10.80 million and nil respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

In August 2015, we declared interim dividends in the aggregate amount of HK\$10,000,800 to Mr. Yu and Ms. Wong. Such dividends had been fully paid and we financed the payment of such dividends by our internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 20 May 2015. As at 30 April 2015, our Company had no reserves available for distribution to our Shareholders.

### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

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## FINANCIAL INFORMATION

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### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2015, and there have been no events since 30 April 2015 which would materially affect the information shown in our combined financial information included in the accountants' report set forth in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

### IMPLEMENTATION PLAN

Our Group’s implementation plans are set forth below for each of the six-month periods until 30 April 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group’s business objective, our Directors intend to carry out the following implementation plans:

#### From the Latest Practicable Date to 30 April 2016

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further developing our business by undertaking more projects	HK\$6.25 million	<ul style="list-style-type: none"><li>• Submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise</li><li>• Undertake more projects should we be able to identify and secure suitable business opportunities, with HK\$6.25 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 this prospectus 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</li></ul>

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## FUTURE PLANS AND USE OF PROCEEDS

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<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further strengthening our manpower	HK\$0.44 million	<ul style="list-style-type: none"> <li>• Recruit one additional technical assistant and one additional accountant to cope with our business development and our plan to undertake more projects</li>   <li>• Continue to provide training to our existing and newly recruited staff</li> </ul>

### From 1 May 2016 to 31 October 2016

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further developing our business by undertaking more projects	HK\$6.15 million	<ul style="list-style-type: none"> <li>• Submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise</li>   <li>• Undertake more projects should we be able to identify and secure suitable business opportunities, with HK\$6.15 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 this prospectus 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</li> </ul>
Further strengthening our manpower	HK\$0.61 million	<ul style="list-style-type: none"> <li>• Recruit four additional project management and supervision and site supporting employees as well as one additional safety officer to cope with our business development and our plan to undertake more projects</li>   <li>• Continue to provide training to our existing and newly recruited staff</li> </ul>

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## FUTURE PLANS AND USE OF PROCEEDS

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### From 1 November 2016 to 30 April 2017

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further developing our business by undertaking more projects	HK\$4.46 million	<ul style="list-style-type: none"><li>• Submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise</li><li>• Undertake more projects should we be able to identify and secure suitable business opportunities, with HK\$4.46 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 this prospectus 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</li></ul>
Further strengthening our manpower	HK\$1.10 million	<ul style="list-style-type: none"><li>• Continue to provide training to our existing and newly recruited staff</li></ul>

### From 1 May 2017 to 31 October 2017

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further developing our business by undertaking more projects	HK\$4.46 million	<ul style="list-style-type: none"><li>• Submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise</li></ul>

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## FUTURE PLANS AND USE OF PROCEEDS

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<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
		<ul style="list-style-type: none"> <li>• Undertake more projects should we be able to identify and secure suitable business opportunities, with HK\$4.46 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 this prospectus 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</li> </ul>
Further strengthening our manpower	HK\$1.69 million	<ul style="list-style-type: none"> <li>• Recruit three additional project management and supervision and site supporting employees as well as one additional safety officer to cope with our business development and our plan to undertake more projects</li> <li>• Continue to provide training to our existing and newly recruited staff</li> </ul>

### From 1 November 2017 to 30 April 2018

<b>Business strategy</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
Further developing our business by undertaking more projects	HK\$4.45 million	<ul style="list-style-type: none"> <li>• Submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise</li> </ul>

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## FUTURE PLANS AND USE OF PROCEEDS

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Business strategy	Use of proceeds	Implementation plan
		<ul style="list-style-type: none"><li>Undertake more projects should we be able to identify and secure suitable business opportunities, with HK\$4.45 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 this prospectus 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</li></ul>
Further strengthening our manpower	HK\$1.69 million	<ul style="list-style-type: none"><li>Continue to provide training to our existing and newly recruited staff</li></ul>

### BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group’s future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this prospectus.



## FUTURE PLANS AND USE OF PROCEEDS

### REASONS FOR THE PLACING

The Placing will enhance our Group's capital base and provide our Group with additional capital to implement the future plans set out in the paragraph headed "Implementation plan" in this section.

### USE OF PROCEEDS

The net proceeds to be received by us from the Placing based on the Placing Price of HK\$0.20 per Placing Share, after deducting related expenses to be borne by us, are estimated to be approximately HK\$31.30 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$25.77 million (approximately 82.33% of the net proceeds) will be used for satisfying the various working capital requirements associated with undertaking more contract works (including but not limited to those resulting from the time lags between making payments to our subcontractors and receiving payments from our customers, customers' requirements for us to take out performance bonds, and the statutory capital requirements in relation to our retention on the List of Approved Specialist Contractors for Public Works, as further discussed in the section headed "Business — Business strategies — 1. Further developing our business by undertaking more projects" in this prospectus) in order for us to further develop our business and to undertake more projects should we be able to identify and secure suitable business opportunities, where we intend to submit more tenders for both public sector projects and private sector projects with a primary focus on slope works when suitable opportunities arise; and
- approximately HK\$5.53 million (approximately 17.67% of the net proceeds) will be used for further strengthening our manpower.

The following table sets forth a breakdown of how the net proceeds to be received by us from the Placing are intended to be applied and the timing of application:

	<b>From the Latest Practicable Date to 30 April 2016</b>	<b>From 1 May 2016 to 31 October 2016</b>	<b>From 1 November 2016 to 30 April 2017</b>	<b>From 1 May 2017 to 31 October 2017</b>	<b>From 1 November 2017 to 30 April 2018</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Satisfying various working capital requirements, earmarked for						
- existing projects	0.62	—	—	—	—	0.62
- new projects	5.63	6.15	4.46	4.46	4.45	25.15
	6.25	6.15	4.46	4.46	4.45	25.77
Further strengthening our manpower	0.44	0.61	1.10	1.69	1.69	5.53

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Directors consider that the net proceeds to be received by us from the Placing of about HK\$31.30 million, together with our Group's internal resources, cash generated from our operation, and our available banking facilities, will be sufficient to finance the business plans of our Group as scheduled up to 30 April 2018.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of the proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Placing) will be approximately HK\$23.67 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

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## UNDERWRITING

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### UNDERWRITERS

Quam Securities Company Limited  
Supreme China Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Controlling Shareholders are conditionally offering the Placing Shares for subscription by way of the Placing with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to subscribe for or purchase or procure subscribers or buyers for the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

#### Grounds for termination

The Lead Manager (for itself and on behalf of the other Underwriter) shall be entitled, in its sole and absolute discretion, by notice in writing to our Company to terminate the Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
  - (a) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any jurisdiction relevant to any member of our Group or the Placing (collectively, the “Relevant Jurisdictions”) which in the reasonable opinion of the Lead Manager has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof; or
  - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material

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## UNDERWRITING

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restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in the Relevant Jurisdictions; or

- (c) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or
- (f) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” of this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group (other than those fully covered by an insurance policy of any member of our Group); or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any member of our Group (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (j) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions,

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## UNDERWRITING

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which, individually or in aggregate, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the other Underwriter):

- (1) is/are or shall have or is likely to have an material adverse effect on the business, financial condition, trading position or prospects of our Group as a whole or in the case of sub-paragraph (e) above, to any present shareholder of our Company in his, her or its capacity as such or the prospective shareholders of our Company as a whole in their capacities as such; or
  - (2) has/have or is likely to have a material adverse effect on the success, marketability or pricing of the Placing or the level of interest under the Placing; or
  - (3) make(s) it inadvisable, inexpedient or impracticable for the Placing to proceed in any material respect; or
- (ii) there has come to the notice of the Lead Manager:
- (a) that any statement, considered by the Lead Manager to be material in its sole and absolute discretion, contained in any of this prospectus and any document in connection with the Placing was when the same was issued, or has become, untrue, incorrect or misleading in any material respect and reasonably considered by the Lead Manager to be material and adverse to the Placing; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Lead Manager to be material and adverse to the Placing; or
  - (c) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on the Sponsor and/or Underwriters); or
  - (d) any change or development that reasonably considered by the Lead Manager to have or likely to have a material adverse effect on business affairs, prospects or the financial or trading position of our Group as a whole; or
  - (e) any material breach of any of the warranties or the selling shareholder's warranties in the Underwriting Agreement.

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## UNDERWRITING

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### Undertakings

Our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for those permitted in accordance with Rule 17.29 of GEM Listing Rules.

Under the Underwriting Agreement,

- (a) the Company undertakes to each of the Sponsor and the Underwriters that (and each of the Controlling Shareholders and executive Directors undertakes to each of the Sponsor and the Underwriters to procure our Company that) no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.
- (b) (i) our Controlling Shareholders jointly and severally agree and undertake to our Company, the Sponsor, and the Underwriters that, except with the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriter) and unless pursuant to the sale of the Sale Shares and unless in compliance with the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holders shall not:
  - (A) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “First 6-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares (the “Encumbrances”) in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s) (the “**Relevant Securities**”); and
  - (B) in the period of six months commencing on the date on which the First 6-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/she/it would cease to be a Controlling Shareholder,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its respective close associates may acquire or become interested in following the Listing Date;

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## UNDERWRITING

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- (ii) each of our Controlling Shareholders jointly and severally further agrees and undertakes to our Company, the Sponsor, and the Underwriters that:
  - (A) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Relevant Securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) above, he/she/it must inform our Company, the Sponsor, and the Underwriters immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
  - (B) having pledged or charged any of his/her/its interests in the Relevant Securities under sub-paragraph (A) above, he/she/it must inform our Company, the Sponsor and the Underwriters immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Securities affected; and
- (c) our Company undertakes to the Sponsor and the Underwriters, and each of our executive Directors and Controlling Shareholders jointly and severally undertakes to the Sponsor and the Underwriters to procure that, save with the prior written consent of the Lead Manager, or save pursuant to the Capitalisation Issue, the Placing and the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:
  - (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));
  - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
  - (iii) purchase any securities of our Company; or
  - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

### **Commission and expenses**

In connection with the Placing, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Placing Price of all the Placing Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fee.

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## UNDERWRITING

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In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK\$17.03 million (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing), which will be borne as to approximately HK\$9.70 million by us and as to approximately HK\$7.33 million by the Selling Shareholder in proportion to the ratio of the number of New Shares to the number of Sale Shares.

Our Company, our Controlling Shareholders and the executive Directors have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by any of them of the Underwriting Agreement.

### **Independence of the Sponsor**

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **Sponsor's, Bookrunner's, Lead Manager's and Underwriters' interests in our Company**

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save for their interests and obligations under the Underwriting Agreement, the sponsorship and documentation fee payable to the Sponsor in connection with the Listing, and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Bookrunner, the Lead Manager and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.



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## STRUCTURE AND CONDITIONS OF THE PLACING

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### PLACING PRICE

The Placing Price, being HK\$0.20 per Placing Share, plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy make up total price payable on subscription. The Shares will be traded in board lots of 10,000 Shares each.

### THE PLACING

#### Placing

The Placing of 360,000,000 Placing Shares comprising 205,000,000 New Shares and 155,000,000 Sale Shares are conditionally offered by our Company and the Selling Shareholder, respectively, by way of private placements to professional, institutional and/or other investors. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Placing. The Placing is fully underwritten by the Underwriters.

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by them, on behalf of our Company and the Selling Shareholder, will conditionally place the Placing Shares at the Placing Price (plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy) with selected professional, institutional and/or other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities. Private investors applying for the Placing Shares through banks or other institutions under the Placing may also be allocated the Placing Shares.

#### Basis of allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholder. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. There will not be any preferential treatment in the allocation of the Placing Shares to any persons. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The Placing is subject to the conditions as stated in the paragraph headed "Conditions of the Placing" below in this section.

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## STRUCTURE AND CONDITIONS OF THE PLACING

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### CONDITIONS OF THE PLACING

Acceptance of your applications is conditional upon, among other things:

(a) **Listing**

The GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Placing and the Capitalisation Issue and exercise of the options that may be granted under the Share Option Scheme; and

(b) **Underwriting Agreement**

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out in the section headed “Underwriting” in this prospectus.

In each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.fraserholdings.com](http://www.fraserholdings.com) on the next Business Day following such lapse.

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the GEM are expected to commence at 9:00 a.m. on Monday, 2 November 2015. Shares will be traded in board lots of 10,000 Shares each.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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## **STRUCTURE AND CONDITIONS OF THE PLACING**

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All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

Our Company expects to announce the level of indication of interests in the Placing on or before Friday, 30 October 2015 on our Company's website at [www.fraserholdings.com](http://www.fraserholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

*The following is the text of a report received from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



23 October 2015

The Directors  
Fraser Holdings Limited

Messis Capital Limited

Dear Sirs,

We report on the financial information of Fraser Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprise the combined statements of financial position of the Group at 30 April 2014 and 2015, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group, for each of the years ended 30 April 2014 and 2015 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"). This Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 23 October 2015 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands with limited liability on 20 May 2015. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History and Development" in the Prospectus, which was completed on 17 June 2015, the Company became the holding company of the subsidiaries now comprising the Group.

At the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is not required to issue any audited financial statements under the statutory requirement in the Cayman Islands. The audited financial statements of the other companies now comprising the Group at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. The Underlying Financial Statements have been audited by us in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

#### **Directors' responsibility for the Financial Information**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

#### **Opinion**

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of presentation set out in Note 1.2 of Section II below, a true and fair view of the state of affairs of the Group at 30 April 2014 and 2015 and of the Group's results and cash flows for the Track Record Period then ended.

## I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group prepared by the directors of the Company at 30 April 2014 and 2015 and for each of the years ended 30 April 2014 and 2015.

## A. Combined statements of profit or loss and other comprehensive income

	<i>Notes</i>	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	128,295	157,346
Direct costs		<u>(112,755)</u>	<u>(136,580)</u>
<b>Gross profit</b>		15,540	20,766
Other income	6	2,872	1,682
Administrative expenses		(4,265)	(7,779)
Finance costs	7	<u>(12)</u>	<u>(68)</u>
<b>Profit before income tax</b>	8	14,135	14,601
Income tax expense	9	<u>(2,598)</u>	<u>(3,170)</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<u>11,537</u>	<u>11,431</u>
<b>Earnings per share</b>	11	<u>N/A</u>	<u>N/A</u>

## B. Combined statements of financial position

	<i>Notes</i>	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	13	<u>1,557</u>	<u>683</u>
<b>Current assets</b>			
Trade and other receivables	14	36,560	37,630
Amount due from a director	15	8,565	—
Amount due from a related company	16	251	6,296
Amounts due from customers on construction contracts	17	6,265	7,561
Cash and bank balances	18	<u>2,549</u>	<u>22,754</u>
		<u>54,190</u>	<u>74,241</u>
<b>Current liabilities</b>			
Trade and other payables	19	22,764	19,718
Amounts due to customers on construction contracts	17	1,284	626
Borrowings, secured	20	—	5,000
Amount due to a director	15	—	1,602
Tax payable		<u>48</u>	<u>4,896</u>
		<u>24,096</u>	<u>31,842</u>
<b>Net current assets</b>		<u>30,094</u>	<u>42,399</u>
<b>Net assets</b>		<u>31,651</u>	<u>43,082</u>
<b>Equity</b>			
Combined capital	21	18,001	18,001
Reserve		<u>13,650</u>	<u>25,081</u>
<b>Total equity</b>		<u>31,651</u>	<u>43,082</u>

## C. Combined statements of changes in equity

	<b>Combined capital</b> <i>HK\$'000</i> <i>(Note 21)</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 May 2013	10,001	12,913	22,914
Issue of shares on 17 February 2014	8,000	—	8,000
Dividend paid (Note 10)	—	(10,800)	(10,800)
Profit and total comprehensive income for the year	<u>—</u>	<u>11,537</u>	<u>11,537</u>
Balance at 30 April 2014 and 1 May 2014	18,001	13,650	31,651
Profit and total comprehensive income for the year	<u>—</u>	<u>11,431</u>	<u>11,431</u>
<b>Balance at 30 April 2015</b>	<u><u>18,001</u></u>	<u><u>25,081</u></u>	<u><u>43,082</u></u>



## D. Combined statements of cash flows

	Year ended 30 April 2014 <i>HK\$'000</i>	Year ended 30 April 2015 <i>HK\$'000</i>
<b>Operating activities</b>		
Profit before tax	14,135	14,601
Adjustments for:		
Depreciation	2,003	1,260
Finance costs	12	68
Gain on disposal of property, plant and equipment	—	(839)
Operating profit before working capital changes	16,150	15,090
Increase in trade and other receivables	(14,184)	(1,070)
Increase in amounts due from customers on construction contracts	(4,420)	(1,296)
Increase/(decrease) in trade and other payables	9,216	(3,046)
Increase/(decrease) in amounts due to customers on construction contracts	713	(658)
Cash generated from operations	7,475	9,020
Interest paid	(12)	(68)
Income tax (paid)/refund	(6,097)	1,678
<i>Net cash generated from operating activities</i>	<u>1,366</u>	<u>10,630</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	—	(493)
Proceeds from disposal of property, plant and equipment	—	946
(Increase)/decrease in amount due from a director	(8,848)	8,565
Decrease/(increase) in amount due from a related company	6,086	(6,045)
<i>Net cash (used in)/generated from investment activities</i>	<u>(2,762)</u>	<u>2,973</u>
<b>Financing activities</b>		
Proceeds from issuance of share capital	8,000	—
Dividend paid	(10,800)	—
Proceeds from new borrowings	4,000	24,000
Repayment of borrowings	(4,000)	(19,000)
Increase in amount due to a director	—	1,602
<i>Net cash (used in)/generated from financing activities</i>	<u>(2,800)</u>	<u>6,602</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,196)	20,205
Cash and cash equivalents at beginning of year	6,745	2,549
<b>Cash and cash equivalents at end of year</b> represented by cash and bank balances	<u>2,549</u>	<u>22,754</u>

**II NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION AND BASIS OF PRESENTATION****1.1 General information**

The Company was incorporated in the Cayman Islands on 20 May 2015 as an exempted company with limited liability. Its parent and ultimate holding company is National Honour Investments Limited, a company incorporated in the British Virgin Islands (“BVI”) and wholly owned by Mr. Yu Shek Man, Ringo (“Mr. Yu”) and Ms. Wong So Wah (“Ms. Wong”) (collectively referred as the “Controlling Shareholders”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” of the Prospectus. The Company is an investment holding company. The Group is principally engaged in undertaking slope works, foundation works and other general building works in Hong Kong.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

**1.2 Basis of presentation**

Financial Information comprises the Company and its subsidiaries. The Financial Information has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

Throughout the Track Record Period, the group entities were under the control of Controlling Shareholders. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation as detailed in the section headed “History and Development” is regarded as a continuing entity. The Group was under the control of Controlling Shareholders prior to and after the Reorganisation.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

At the date of approval of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place of incorporation	Date of incorporation	Issued and paid up capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held directly by the Company	
True Sincere Group Limited ( <i>Note (a)</i> )	BVI	13 March 2015	US\$1	100%	100%	Investment holdings
Strong Move Global Limited ( <i>Note (a)</i> )	BVI	26 March 2015	US\$1	100%	—	Investment holdings
Magic City Developments Limited ( <i>Note (a)</i> )	BVI	26 March 2015	US\$1	100%	—	Investment holdings
Fraser Construction Company Limited (“Fraser Construction”) ( <i>Note (b)</i> )	Hong Kong	5 October 1995	HK\$18,000,000	100%	—	Undertaking slope works, foundation works and other general building works in Hong Kong
Tubo Technology Construction Company Limited (“Tubo Tech”) ( <i>Note (c)</i> )	Hong Kong	31 December 2003	HK\$1,000	100%	—	Provision of consultancy services in relation to the management of projects involving slope works, foundation works and/or other general building works

*Notes:*

- (a) No statutory financial statements have been prepared for these companies as they are not subject to statutory audit requirements under relevant rules and regularities in the jurisdiction of incorporation.
- (b) The statutory financial statements for the years ended 30 April 2014 and 2015 of this company were audited by Luk Kam Loi, Certified Public Accountant (Practising) and Lai Yiu Hong, Certified Public Accountant (Practising) respectively.
- (c) The statutory financial statements for the years ended 30 April 2014 and 2015 of this company were audited by Lai Yiu Hong, Certified Public Accountant (Practising).
- (d) All companies comprising the Group have adopted 30 April as their financial year-end date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA. The Financial Information also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM.

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

The Financial Information have been prepared on the historical cost.

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

### **2.2 Basis of consolidation and combination**

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all 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.

The Group includes the income and expenses of a subsidiary in the combines 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.

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.

### **2.3 Merger accounting for common control combinations**

The Financial Information 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 combined 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.

### **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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 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.

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.

### *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;
- 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:

*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.

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 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.

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 combined 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 combined 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 combined 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 borrowings, amount due to a director and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.15).

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

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.

### ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### ***Trade and other payables and amount due to a director***

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

## 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 combined 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 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.

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 recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (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**

Contract costs are recognised when incurred. 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. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by the customers or their agents.

(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 Borrowing costs**

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## 2.16 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.

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 Financial Information 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.

### **2.17 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.

### **2.18 Related parties**

For the purposes of the Financial Information, 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); and
- (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).

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 May 2014 are consistently applied to the Group for the Track Record Period.

The following new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the financial year beginning 1 May 2014, and have not been adopted early by the Group:

Annual Improvements Project	Annual Improvements 2010-2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2011-2013 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2012-2014 Cycle <sup>2</sup>
HKAS 1 Amendment	Disclosure Initiative <sup>2</sup>
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 9	Financial Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

The directors anticipate that all the relevant new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The new and amended HKFRSs are not expected to have a material impact on the Group's financial position and results of operations.

#### **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 certificate issued by the customer. 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.

Details of the amount due from/(to) customers on construction contracts are disclosed in Note 17.



**(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.

Details of the trade receivables are disclosed in Note 14.

**5. REVENUE**

The Group's principal activities are disclosed in Note 1.1 of Section II to the Financial Information. Turnover of the Group is the revenue from these activities.

Revenue recognised during the Track Record Period are as follows:

	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracting revenue	128,110	157,121
Consultancy fee	<u>185</u>	<u>225</u>
	<u>128,295</u>	<u>157,346</u>

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business of slope, foundation and general building works 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.

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

	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	56,817	87,417
Customer B	23,241	26,994
Customer C	16,905	11,441
Customer D	<u>13,764</u>	<u>12,266</u>

#### 6. OTHER INCOME

	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Termination compensation	2,250	—
Gain on disposal of property, plant and equipment	—	839
Insurance claim	82	197
Rental income from lease of machinery	456	480
Sundry income (note)	<u>84</u>	<u>166</u>
	<u>2,872</u>	<u>1,682</u>

*Note:* Sundry income included HK\$83,000 and HK\$165,000 relating to handling charges paid by the Group's subcontractors for the year ended 30 April 2014 and 2015 respectively.

#### 7. FINANCE COSTS

	<b>Year ended 30 April 2014</b>	<b>Year ended 30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank loans and overdrafts wholly repayable within 5 years	<u>12</u>	<u>68</u>

## 8. PROFIT BEFORE INCOME TAX

	Year ended 30 April 2014 <i>HK\$'000</i>	Year ended 30 April 2015 <i>HK\$'000</i>
Profit before tax is stated after charging:		
(a) <b>Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	8,101	6,330
Contributions to defined contribution retirement plans	<u>337</u>	<u>322</u>
Staff costs (including directors' remuneration) (note (i))	<u>8,438</u>	<u>6,652</u>
(b) <b>Other items</b>		
Depreciation, included in:		
— Direct costs	970	919
— Administrative expenses	<u>1,033</u>	<u>341</u>
	<u>2,003</u>	<u>1,260</u>
Operating lease charges:		
— Land and buildings	360	360
Subcontracting charges (included in direct costs)	97,454	127,881
Listing expenses	—	4,737
Auditors' remuneration	<u>57</u>	<u>50</u>

*Note:*

(i) Staff costs (including directors' remuneration)

	Year ended 30 April 2014 <i>HK\$'000</i>	Year ended 30 April 2015 <i>HK\$'000</i>
Direct costs	6,703	5,110
Administrative expenses	<u>1,735</u>	<u>1,542</u>
	<u>8,438</u>	<u>6,652</u>

**9. INCOME TAX EXPENSE**

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

	<b>Year ended</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>Year ended</b> <b>30 April 2015</b> <i>HK\$'000</i>
Provision for Hong Kong Profits Tax	<u>2,598</u>	<u>3,170</u>

At 30 April 2014 and 2015, no deferred taxation has been provided as there are no significant unrecognised temporary differences.

The taxation for the years can be reconciled to the profit before income tax per the combined statement of profit or loss and other comprehensive income as follows:

	<b>Year ended</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>Year ended</b> <b>30 April 2015</b> <i>HK\$'000</i>
Profit before taxation	<u>14,135</u>	<u>14,601</u>
Tax at Hong Kong profits tax rates of 16.5%	2,332	2,409
Tax effect of expense not deductible for tax purpose	1	775
Temporary differences not recognised	<u>265</u>	<u>(14)</u>
Income tax expense for the year	<u>2,598</u>	<u>3,170</u>

**10. DIVIDENDS**

	<b>Year ended</b> <b>30 April 2014</b> <i>HK\$'000</i>	<b>Year ended</b> <b>30 April 2015</b> <i>HK\$'000</i>
Interim dividends of HK\$60 per ordinary share	<u>10,800</u>	<u>—</u>

For the year ended 30 April 2014 and 2015, interim dividends of HK\$10,800,000 and nil were appropriated to the then shareholders of Fraser Construction respectively.

**11. EARNINGS PER SHARE**

Earnings per share information is not presented as inclusion for the purpose of this Financial Information is not meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1.2 of Section II above.

## 12 . DIRECTORS' EMOLUMENTS

## (a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 April 2014</b>				
Executive director				
Mr. Yu	300	—	15	315
Ms. Wong	<u>200</u>	<u>—</u>	<u>10</u>	<u>210</u>
	<u>500</u>	<u>—</u>	<u>25</u>	<u>525</u>

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 April 2015</b>				
Executive director				
Mr. Yu	300	—	18	318
Ms. Wong	<u>200</u>	<u>—</u>	<u>10</u>	<u>210</u>
	<u>500</u>	<u>—</u>	<u>28</u>	<u>528</u>

- (a) During the Track Record Period, remuneration of Mr. Yu and Ms. Wong were paid by Fraser Construction for their directorship in this Company.
- (b) Mr. Yu and Ms. Wong were appointed as the executive directors of the Company on 20 May 2015.

- (c) Mr. Cheung Kin Keung Martin was appointed as the non-executive director of the Company on 20 May 2015. Mr. Law Yiu Sing, Mr. Wong Kwok Chuen, Mr. Wong Law Fai were appointed as independent non-executive directors of the Company on 14 October 2015. During the Track Record Period, the non-executive director and the independent non-executive directors have not yet been appointed and did not receive any remuneration.
- (d) During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) **Five highest paid individuals**

The five highest paid individuals of the Group during the Track Record Period include no directors whose emoluments are disclosed above for the year ended 30 April 2014 and 2015. Details of the emoluments of the remaining highest paid individuals are as follows:

	<b>Year ended</b> <b>30 April 2014</b>	<b>Year ended</b> <b>30 April 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, fee and allowances	2,188	2,147
Discretionary bonuses	340	200
Retirement scheme contributions	<u>75</u>	<u>84</u>
	<u>2,603</u>	<u>2,431</u>

The emoluments fell within the following bands:

	<b>Number of individuals</b>	
	<b>Year ended</b> <b>30 April 2014</b>	<b>Year ended</b> <b>30 April 2015</b>
Emolument bands		
Nil - HK\$1,000,000	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>				
At 1 May 2013, 30 April and 1 May 2014	3,948	5,468	656	10,072
Additions	—	383	110	493
Disposals	<u>(1,485)</u>	<u>(826)</u>	<u>(233)</u>	<u>(2,544)</u>
At 30 April 2015	<u>2,463</u>	<u>5,025</u>	<u>533</u>	<u>8,021</u>
<b>Accumulated depreciation</b>				
At 1 May 2013	(2,985)	(3,040)	(487)	(6,512)
Charge for the year	<u>(722)</u>	<u>(1,196)</u>	<u>(85)</u>	<u>(2,003)</u>
At 30 April 2014 and 1 May 2014	(3,707)	(4,236)	(572)	(8,515)
Depreciation written back upon disposals	1,485	719	233	2,437
Charge for the year	<u>(241)</u>	<u>(917)</u>	<u>(102)</u>	<u>(1,260)</u>
At 30 April 2015	<u>(2,463)</u>	<u>(4,434)</u>	<u>(441)</u>	<u>(7,338)</u>
<b>Net book value</b>				
At 30 April 2014	<u>241</u>	<u>1,232</u>	<u>84</u>	<u>1,557</u>
At 30 April 2015	<u>—</u>	<u>591</u>	<u>92</u>	<u>683</u>

## 14. TRADE AND OTHER RECEIVABLES

	At 30 April 2014	At 30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	25,232	25,912
Retention receivables	8,697	10,042
Other receivables and prepayment	1,127	850
Utility and other deposits	<u>1,504</u>	<u>826</u>
	<u>36,560</u>	<u>37,630</u>

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

**Trade receivables**

The Group usually provide customers with a credit term of 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:

	At 30 April 2014	At 30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	16,236	20,086
31 - 60 days	5,808	355
61 - 90 days	651	1,590
Over 90 days	<u>2,537</u>	<u>3,881</u>
	<u>25,232</u>	<u>25,912</u>

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 provision for impairment has been recognised at 30 April 2014 and 2015.



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

	At 30 April 2014	At 30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	22,044	20,086
Less than 30 days past due	651	355
31 - 60 days past due	—	1,590
61 - 90 days past due	—	33
Over 90 days past due	<u>2,537</u>	<u>3,848</u>
	<u>25,232</u>	<u>25,912</u>

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 2014 and 2015.

**15. AMOUNT DUE FROM/(TO) A DIRECTOR**

(a) Particulars of amount due from a director as follows:

	At 1 May 2013 <i>HK\$'000</i>	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Mr. Yu	<u>—</u>	<u>8,565</u>	<u>—</u>
Maximum amounts outstanding during the year	<u>26,577</u>	<u>21,190</u>	<u>23,240</u>

(b) Particulars of amount due to a director as follows:

	At 1 May 2013 <i>HK\$'000</i>	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Mr. Yu	<u>283</u>	<u>—</u>	<u>1,602</u>

The amount is unsecured, non-interest bearing and repayable on demand.

The directors of the Group consider that the fair value of amount due from/(to) a director is not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

**16. AMOUNT DUE FROM A RELATED COMPANY**

Particulars of amount due from related company as follows:

	At 1 May 2013 <i>HK\$'000</i>	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Mars Glare Limited (“Mars Glare”)	<u>6,377</u>	<u>251</u>	<u>6,296</u>
Maximum amounts outstanding during the year	<u>6,377</u>	<u>6,344</u>	<u>6,296</u>

The amounts are unsecured, non-interest bearing and repayable on demand. Details of related party relationship are disclosed in Note 23(a).

The directors of the Group consider that the fair values of amounts due from a related company are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

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

	At 30 April 2014 HK\$'000	At 30 April 2015 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	136,453	265,387
Less: progress billings	<u>(131,472)</u>	<u>(258,452)</u>
Contract work-in-progress	<u>4,981</u>	<u>6,935</u>
Analysed for reporting purposes as:		
Amounts due from customers on construction contracts	6,265	7,561
Amounts due to customers on construction contracts	<u>(1,284)</u>	<u>(626)</u>
	<u>4,981</u>	<u>6,935</u>

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

At 30 April 2014 and 2015, retentions held by customers for construction contracts in progress amounted to HK\$5,556,000 and HK\$7,350,000 respectively.

#### 18. CASH AND BANK BALANCES

	At 30 April 2014 HK\$'000	At 30 April 2015 HK\$'000
Cash at bank	2,540	22,754
Cash in hand	<u>9</u>	<u>—</u>
Cash and cash equivalents	<u>2,549</u>	<u>22,754</u>

*Notes:*

- (a) All cash and cash equivalents are denominated in HK\$.
- (b) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (c) At 30 April 2014 and 2015, a floating charge over certain bank accounts amounted to HK\$465,000 and HK\$20,131,000 respectively as securities of the banking facilities (Note 20).

The directors of the Group consider that the fair values of cash at bank are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

### 19. TRADE AND OTHER PAYABLES

	At 30 April 2014 HK\$'000	At 30 April 2015 HK\$'000
Trade payables ( <i>note (a)</i> )	17,644	13,297
Retention payables ( <i>note (b)</i> )	3,042	4,993
Accruals and other payables	<u>2,078</u>	<u>1,428</u>
	<u>22,764</u>	<u>19,718</u>

*Notes:*

- (a) Payment terms granted by suppliers are 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:

	At 30 April 2014 HK\$'000	At 30 April 2015 HK\$'000
0 - 30 days	7,295	10,394
31 - 60 days	5,601	315
61 - 90 days	203	88
Over 90 days	<u>4,545</u>	<u>2,500</u>
	<u>17,644</u>	<u>13,297</u>

- (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\$.
- (d) All amounts are short-term and hence, the carrying values of the Group's trade payables, retention payables and accruals and other payables are considered to be a reasonable approximation of fair value.

**20. BORROWINGS, SECURED**

At 30 April 2014 and 2015, the secured bank loan were repayable as follows:

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Bank loan repayable within one year	<u>—</u>	<u>5,000</u>

At 30 April 2015, the bank loan is interest-bearing at 3.233% per annum and repaid in May 2015.

At 30 April 2014 and 2015, the banking facilities to the total extent of HK\$23,000,000 granted to the Group are secured by guarantees given by Mr. Yu, properties held by a related company and a floating charge over certain bank accounts of the Group (Note 18). The facilities were utilised to the extent of nil and HK\$5,000,000 at 30 April 2014 and 2015 respectively.

The Group has procured the release of all securities over a related Company's properties and personal guarantee provided by Mr. Yu upon the Listing.

**21. CAPITAL AND RESERVE****(a) Combined capital**

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Combined capital	<u>18,001</u>	<u>18,001</u>

For the purpose of the preparation of the combined statement of financial position, the balance of combined capital at 30 April 2014 and 2015 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

The Company was incorporated in Cayman Island as an exempted company under the Company Law of the Cayman Island with limited liability on 20 May 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter.

**(b) Reserve**

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

**(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 net debt is defined as current liabilities less cash and cash equivalents. 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 each of the Track Record Period:

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Current liabilities		
Borrowing	—	5,000
Amount due to a director	—	1,602
	—	6,602
Total equity	<u>31,651</u>	<u>43,082</u>
Gearing ratio	<u>—</u>	<u>15.32%</u>

**22. OPERATING LEASE COMMITMENTS****As lessor**

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

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Within 1 year	<u>—</u>	<u>164</u>

The Group leases its plant and machinery under operating lease arrangements which run for an initial period of one to three months, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants.

#### As lessee

At 30 April 2014 and 2015, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
Within one year	<u>360</u>	<u>—</u>

The Group is the lessee in respect of properties under operating leases. The leases typically run for an initial period of one year. The leases do not include contingent rentals.

### 23. RELATED PARTY TRANSACTIONS

- (a) During the Track Record Period, the following parties are identified as related parties of the Group:

Name	Relationship with the Group
Mr. Yu	One of the Controlling Shareholders and an executive director of the Company
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 during the Track Record Period are as follows:

	Year ended 30 April 2014 <i>HK\$'000</i>	Year ended 30 April 2015 <i>HK\$'000</i>
Salaries, fee and allowances	1,502	1,553
Discretionary bonuses	340	200
Retirement benefit scheme contributions	<u>55</u>	<u>63</u>
	<u>1,897</u>	<u>1,816</u>

**(c) Balances with related parties**

Details of the balances with a director and a related company are disclosed Notes 15 and 16 to the Financial Information.

**(d) Transactions with related parties**

Save as disclosed elsewhere in the Financial Information, the Group entered into the following transactions with its related parties:

Name of related Party	Nature	Year ended	Year ended
		30 April 2014	30 April 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Mars Glare	Rent paid thereto	<u>360</u>	<u>360</u>

**24. CONTINGENT LIABILITIES**

At 30 April 2014 and 2015, 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 as detailed in the section headed "Business — Litigation and claims" in this prospectus. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the Group's Financial Information, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the Financial Information.

**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.



(a) **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:

	At 30 April 2014 <i>HK\$'000</i>	At 30 April 2015 <i>HK\$'000</i>
<b>Financial assets</b>		
Loans and receivables:		
— Trade receivables and other receivables	36,154	37,108
— Amount due from a director	8,565	—
— Amount due from a related company	251	6,296
— Cash and bank balances	<u>2,549</u>	<u>22,754</u>
	<u>47,519</u>	<u>66,158</u>
<b>Financial liabilities</b>		
At amortised costs:		
— Trade and other payables	22,764	19,718
— Borrowings, secured	—	5,000
— Amount due to a director	<u>—</u>	<u>1,602</u>
	<u>22,764</u>	<u>26,320</u>

(b) **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 bearing fixed rates expose the Group to fair value interest rate risk respectively and the exposure to the Group is considered immaterial.

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

**(c) 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 at 30 April 2014 and 2015 as summarised in Note (a).

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 2014 and 2015, the Group has concentration of credit risk as 21% and 57%, and 47% and 65% 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\$7,837,000 and HK\$20,976,000, and HK\$17,774,000 and HK\$24,588,000 of the Group's total trade and other receivables at 30 April 2014 and 2015 respectively.

Regarding balances with a related company (Note 16), the Group assesses the credibility of the related parties by reviewing the operating results and gearing ratios periodically.

**(d) 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 30 April 2014 and 2015. 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.

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

	<b>On demand or within one year <i>HK\$'000</i></b>	<b>Total undiscounted cash flow <i>HK\$'000</i></b>	<b>Carrying amount <i>HK\$'000</i></b>
<b>At 30 April 2014</b>			
Trade and other payables	<u>22,764</u>	<u>22,764</u>	<u>22,764</u>

	<b>On demand or within one year <i>HK\$'000</i></b>	<b>Total undiscounted cash flow <i>HK\$'000</i></b>	<b>Carrying amount <i>HK\$'000</i></b>
<b>At 30 April 2015</b>			
Trade and other payables	19,718	19,718	19,718
Borrowings	5,013	5,013	5,000
Amount due to a director	<u>1,602</u>	<u>1,602</u>	<u>1,602</u>
	<u>26,333</u>	<u>26,333</u>	<u>26,320</u>

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.

(e) **Fair value measurement**

The carry amounts of the Group's financial assets and liabilities are not materially different from their fair values at 30 April 2014 and 2015 due to their short maturities.

### III. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 April 2015:

- (a) On 3 August 2015, interim dividends of HK\$10,000,800 were appropriated to the then shareholder of Fraser Construction (which are now the indirect wholly-owned subsidiaries of the Company). All dividends declared had been fully paid and the Group financed the payment of such dividend by internal resources.

- (b) The companies comprising the Group underwent and completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History and Development" in the Prospectus. Upon completion of the Reorganisation on 17 June 2015, the Company became the holding company of the Group.
- (c) The Group's outstanding balances with a related company and a director have been fully settled in August 2015.

#### **IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to 30 April 2015.

Yours faithfully,

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate No.: P05707

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the two years ended 30 April 2015 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this prospectus (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I of this prospectus.*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Placing on the audited combined net tangible assets of the Group attributable to equity holders of the Company as of 30 April 2015, as if the Placing had taken place on 30 April 2015.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company had the Placing been completed as at 30 April 2015 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 April 2015 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

	<b>Audited combined net tangible assets of the Group attributable to equity holders of the Company as of 30 April 2015</b>	<b>Estimated net proceeds from the Placing</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$0.2 per Share	<u>43,082</u>	<u>36,040</u>	<u>79,122</u>	<u>0.055</u>

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The amount is calculated based on audited combined net assets of the Group attributable to equity holders of the Company as of 30 April 2015 amounting to approximately HK\$43,082,000, extracted from the Accountants' Report of the Group set out in Appendix I of this prospectus.
- (2) The estimated net proceeds from the Placing are based on 205,000,000 New Shares at the Placing Price of HK\$0.2 per Share, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 April 2015.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,440,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of shares of the Placing and the Capitalisation Issue.
- (4) It should be noted that no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015. Specifically, the unaudited pro forma financial information presented above does not take into account the interim dividends of HK\$10,000,800 which were declared and paid to Mr. Yu and Ms. Wong in August 2015. Had the effect of such interim dividends of HK\$10,000,800 been taken into account and with all other bases and assumptions for the calculation remaining the same, the unaudited pro forma adjusted combined net tangible assets per Share would have become HK\$0.048.

**B.    REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the assurance report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS****TO THE DIRECTORS OF FRASER HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fraser Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 23 October 2015 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Placing (as defined in the Prospectus) on the Group's financial position as at 30 April 2015 as if the Placing had taken place at 30 April 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the two years ended 30 April 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by Rule 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with Rule 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

23 October 2015

Chan Tze Kit

Practising Certificate No.: P05707

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 May 2015 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and the Amended and Restated Articles of Association (**Articles**).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 October 2015. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which

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the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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(dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits

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for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

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. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

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A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or



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executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or

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abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### (e) **Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

### (f) **Special resolution — majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in

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person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such

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person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

### **(h) Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

### **(i) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The

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summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(j) Notices of meetings and business to be conducted thereat**

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

### (k) **Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

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The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

### **(1) Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

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### (m) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

### (n) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the



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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

### (o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

### (p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

### **(q) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

### **(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

### **(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

### **(t) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(u) Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such

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advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

### **(v) Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 20 May 2015 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **(a) Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

#### **(b) Share capital**

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;

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- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

### **(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A

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company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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### **(f)    Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **(g)    Disposal of assets**

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **(h)    Accounting and auditing requirements**

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.



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Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### (i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### (j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 2 June 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

### (k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

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### **(l) Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

### **(m) Inspection of corporate records**

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

### **(o) Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

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In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### (p) **Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

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### **(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## **4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 May 2015. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 2 July 2015, and establishes a principal place of business in Hong Kong at Room 1122, 11/F, Pacific Link Tower, South Mark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. Loong & Yeung of Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. 1 Share was allotted and issued nil-paid to the subscriber on 20 May 2015, and was subsequently transferred to National Honour on the same day.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of True Sincere from National Honour on 17 June 2015, (i) the 1 nil-paid Share held by National Honour was credited as fully paid, and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to National Honour.
- (c) On 15 October 2015, our sole Shareholder resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Placing, and taking no account of any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, 1,440,000,000 Shares will be issued fully paid or credited as fully paid, and 560,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 15 October 2015” in this Appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

### 3. Written resolutions of our sole Shareholder passed on 15 October 2015

On 15 October 2015, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) conditional on the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
- (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank *pari passu* with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional further on the share premium account of our Company being credited as a result of the Placing, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$12,349,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 1,234,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 14 October 2015 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then Shares in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option

Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Capitalisation Issue and the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in

sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

#### 4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) On 13 March 2015, True Sincere was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 share of True Sincere (representing the entire issued share capital of True Sincere at the relevant time) was allotted and issued to National Honour on 21 May 2015.
- (b) On 26 March 2015, Strong Move was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 share of Strong Move (representing the entire issued share capital of Strong Move of the relevant time) was allotted and issued to True Sincere on 22 May 2015.
- (c) On 26 March 2015, Magic City was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 share of Magic City (representing the entire issued share capital of Magic City of the relevant time) was allotted and issued to True Sincere on 22 May 2015.
- (d) On 20 May 2015, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. 1 nil-paid Share was allotted and issued to the subscriber, and was subsequently transferred to National Honour on the same day.
- (e) On 16 June 2015, Strong Move acquired 174,150 shares and 5,850 shares of Fraser Construction (which, in aggregate, represents all the issued shares of Fraser Construction at the relevant time) from Mr. Yu and Ms. Wong, respectively, and in consideration, Strong Move issued and allotted 2 shares in Strong Move, credited as fully paid, to True Sincere (as directed by Mr. Yu and Ms. Wong). After the aforesaid share transfer, Strong Move held 180,000 shares of Fraser Construction (representing all the issued shares of Fraser Construction at the relevant time).



- (f) On 16 June 2015, Magic City acquired 500 shares and 500 shares of Tubo Tech (which, in aggregate, represents all the issued shares of Tubo Tech at the relevant time) from Mr. Yu and Ms. Wong, respectively, and in consideration, Magic City issued and allotted 2 shares in Magic City, credited as fully paid, to True Sincere (as directed by Mr. Yu and Ms. Wong). After the aforesaid share transfer, Magic City held 1,000 shares of Tubo Tech (representing the entire issued shares of Tubo Tech at the relevant time).
- (g) Pursuant to the sale and purchase agreement dated 17 June 2015 referred to in item (k) of the paragraph headed “Summary of material contracts” in this Appendix, our Company agreed to acquire 1 share of True Sincere (representing the entire issued shares of True Sincere at the relevant time) from National Honour, and in consideration, (i) the 1 nil-paid Share held by National Honour was credited as fully paid; and (ii) 9,999 Shares, credited as fully-paid were allotted and issued to National Honour.

Immediately after completion of the share transfer referred to in item (g) above, our Company then became the holding company of our Group.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “Corporate reorganisation” in this Appendix and in the section headed “History and development” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of Shares by our Company**

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

##### **(a) Provisions of the GEM Listing Rules**

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

##### **(i) Shareholders’ approval**

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our sole Shareholder on 15 October 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) *Exercise of the Repurchase Mandate*

On the basis of 1,440,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing, our Directors would be authorised under the Repurchase Mandate to repurchase up to 144,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a sale and purchase agreement dated 16 June 2015 entered into among Mr. Yu, Ms. Wong and Strong Move, pursuant to which Strong Move agreed to acquire 174,150 shares and 5,850 shares of Fraser Construction from Mr. Yu and Ms. Wong, respectively, and in consideration, Strong Move in aggregate issued and allotted 2 shares in Strong Move, credited as fully paid, to True Sincere (as directed by Mr. Yu and Ms. Wong);
- (b) an instrument of transfer dated 16 June 2015 entered into between Strong Move and Mr. Yu for the transfer of 174,150 shares of Fraser Construction as referred to item (a) above;
- (c) bought and sold notes dated 16 June 2015 executed by Strong Move and Mr. Yu for the transfer of 174,150 shares of Fraser Construction as referred to item (a) above;
- (d) an instrument of transfer dated 16 June 2015 entered into between Strong Move and Ms. Wong for the transfer of 5,850 shares of Fraser Construction as referred to item (a) above;
- (e) bought and sold notes dated 16 June 2015 executed by Strong Move and Ms. Wong for the transfer of 5,850 shares of Fraser Construction as referred to item (a) above;
- (f) a sale and purchase agreement dated 16 June 2015 entered into among Mr. Yu, Ms. Wong and Magic City, pursuant to which Magic City agreed to acquire 500 shares and 500 shares of Tubo Tech from Mr. Yu and Ms. Wong, respectively, and in consideration, Magic City in aggregate issued and allotted 2 shares in Magic City, credited as fully paid, to True Sincere (as directed by Mr. Yu and Ms. Wong);

- (g) an instrument of transfer dated 16 June 2015 entered into between Magic City and Mr. Yu for the transfer of 500 shares of Tubo Tech as referred to item (f) above;
- (h) bought and sold notes dated 16 June 2015 executed by Magic City and Mr. Yu for the transfer of 500 shares of Tubo Tech as referred to item (f) above;
- (i) an instrument of transfer dated 16 June 2015 entered into between Magic City and Ms. Wong for the transfer of 500 shares of Tubo Tech as referred to item (f) above;
- (j) bought and sold notes dated 16 June 2015 executed by Magic City and Ms. Wong for the transfer of 500 shares of Tubo Tech as referred to item (f) above;
- (k) a sale and purchase agreement dated 17 June 2015 entered into between our Company, National Honour, Mr. Yu and Ms. Wong, pursuant to which our Company agreed to acquire 1 share of True Sincere from National Honour, and in consideration, (i) the 1 nil-paid Share held by National Honour was credited as fully paid; and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to National Honour;
- (l) an instrument of transfer dated 17 June 2015 entered into between our Company and National Honour for the transfer of 1 share of True Sincere as referred to item (k) above;
- (m) the Deeds of Non-Competition;
- (n) the Deed of Indemnity; and
- (o) the Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) *Trademark*

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

### (b) *Domain name(s)*

As at the Latest Practicable Date, our Group has registered the following domain names which is material to the business of our Group:

<b>Domain name</b>	<b>Registrant</b>	<b>Registration date</b>	<b>Expiry date</b>
fraserconstruction.com.hk	Fraser Construction	9 March 2007	21 March 2016
fraserholdings.com	Fraser Construction	11 March 2015	11 March 2017

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of Interests**

**(a) *Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations***

Immediately following completion of the Capitalisation Issue and the Placing (without taking account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

**(i) *Long position in the Shares***

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Placing</b>	<b>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Placing</b>
Mr. Yu	Interest of a controlled corporation ( <i>Note 1</i> )	1,080,000,000	75%
Ms. Wong	Interest of spouse ( <i>Note 2</i> )	1,080,000,000	75%

*Notes:*

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

(ii) *Long position in the share of associated corporations*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/nature</b>	<b>Number of share held/interested</b>	<b>Percentage of shareholding</b>
Mr. Yu	National Honour	Beneficial owner	9	90%
		Interest of spouse <i>(Note 1)</i>	1	10%
Ms. Wong	National Honour	Beneficial owner	1	10%
		Interest of spouse <i>(Note 2)</i>	9	90%

*Notes:*

- Mr. Yu is the spouse of Ms. Wong. Therefore, Mr. Yu is deemed or taken to be interested in all the Shares which Ms. Wong is interested for the purpose of the SFO.
- Ms. Wong is the spouse of Mr. Yu. Accordingly, Ms. Wong is deemed or taken to be interested in all the Shares which Mr. Yu is interested for the purpose of the SFO.

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

*Long position in the Shares*

<b>Name</b>	<b>Capacity/nature</b>	<b>Number of Shares held/interested</b>	<b>Percentage of shareholding</b>
National Honour	Beneficial owner	1,080,000,000	75%

**2. Particulars of service agreements**

None of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**3. Remuneration of Directors**

- The aggregate amount of emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) paid by our Group to our Directors in respect of FY2014 and FY2015 were approximately HK\$525,000 and HK\$528,000, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for FY2016 will be approximately HK\$1,000,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<b>Executive Directors</b>	<i>HK\$</i>
Mr. Yu Shek Man Ringo	360,000
Ms. Wong So Wah	240,000
<b>Non-executive Director</b>	<i>HK\$</i>
Mr. Cheung Kin Keung Martin	150,000
<b>Independent non-executive Directors</b>	<i>HK\$</i>
Mr. Law Yiu Sing	150,000
Mr. Wong Kwok Chuen	150,000
Mr. Wong Law Fai	150,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

#### 4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting — Commission and expenses" in this prospectus, and in the paragraph headed "Sponsor" in this Appendix, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### 5. Related party transactions

Details of the related party transactions are set out under Note 23 to the Accountant's Report of our Company set out in Appendix I to this prospectus.



**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company” in this Appendix, and taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Placing, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on GEM;
- (c) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the sub-paragraph headed “6. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

#### D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 15 October 2015. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

##### (a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	15 October 2015, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

##### (b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 15 October 2015:

###### (i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option 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 our 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.

(iv) *Grant of options and acceptance of offers*

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 our Company on acceptance of an offer for the grant of option(s) is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 144,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 144,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.
- (vi) ***Maximum entitlement of each participant***

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 Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

**(vii) *Grant of options to certain core connected persons***

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

**(viii) *Restrictions on the times of grant of options***

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
  - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (ii) the deadline for our Company to announce its results for any year, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option 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.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent

which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

**(xiv) *Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

**(xv) *Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

**(xvi) *Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(xvii) Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(xviii) Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(xix) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether



upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

**(xx) *Lapse of options***

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group;  
or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

**(xxi) *Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

**(xxii) *Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

**(xxiii) *Alteration to the Share Option Scheme***

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

**(xxiv) *Termination of the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

**(xxv) *Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Division for the listing of, and permission to deal in 144,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Mr. Yu, Ms. Wong and National Honour (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity referred to in paragraph (n) of the paragraph headed “Summary of material contracts” in this Appendix, given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with, among other things, (a) any liability for Hong Kong estate duty which may be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) on other similar legislation in any part of the world for reason of death of any person and by reason of any transfer of any property to any member of our Group on or before the date on which the Placing becomes unconditional; (b) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Placing becomes unconditional; and (c) any penalties, claims, payments, suits, settlement payments, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature imposed on, suffered or incurred by any member of our Group as a result of or in connection with or arising from (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the date on which the Placing becomes unconditional; or (ii) any non-compliance with applicable laws, rules or regulations by any member of our Group on or before the date on which the Placing becomes unconditional. The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or

- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 30 April 2015 up to and including the date on which the Placing becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that save as disclosed in the section headed “Business – Litigation and claims” of this prospectus as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

### *Sponsor's fees*

The fee payable by our Company to the Sponsor to act as sponsor in relation to the Listing is HK\$3.6 million, and the Sponsor will be reimbursed for their expenses properly incurred in connection with the Placing.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,000 and are payable by our Company.

## **5. Promoter**

Our Company has no promoter.

**6. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Messis Capital Limited	A licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong
Messrs. Adrian Yeung & Cheng	Solicitors of Hong Kong
CT Partners Consultants Limited	Internal control adviser

**7. Consents of experts**

Each of the experts named in the sub-paragraph headed “6. Qualifications of experts” in this Appendix has given and has not withdrawn its/his written consent to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**10. No material adverse change**

Save as disclosed in the section headed “Financial Information — No material adverse change” in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 April 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

**11. Particulars of the Selling Shareholder**

The Selling Shareholder is National Honour, a company incorporated in the BVI with limited liability on 26 March 2015 with registered office at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, the BVI. National Honour is owned as to 90% by Mr. Yu Shek Man Ringo and 10% by Ms. Wong So Wah. It is an investment holding company.

**12. Taxation of holders of Shares****(a) *Hong Kong***

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) *Cayman Islands***

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) *Consultation with professional advisers***

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus:
    - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
    - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
    - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
  - (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
  - (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
  - (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
  - (v) none of the experts named in the sub-paragraph headed “6. Qualifications of experts” in this Appendix:
    - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
    - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
  - (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there are no arrangements in existence under which future dividends are to be or agreed to be waived;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this prospectus shall prevail over the Chinese text.

**14. Exemption from Companies Ordinance requirements**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).



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## **APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION**

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### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the section headed “Statutory and general information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus, copies of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus, and the statement of particulars of the Selling Shareholder.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information prepared by Grant Thornton Hong Kong Limited, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited combined financial statements of the companies comprising the Group for FY2014 and FY2015;
- (d) the letter of advice dated 23 October 2015 prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the legal advice dated 23 October 2015 prepared by our Legal Counsel;
- (f) the legal advice dated 23 October 2015 prepared by our Litigation Company Lawyer;
- (g) the report on internal control review prepared by CT Partners in relation to the non-compliance incidents;
- (h) the material contracts referred to the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the section headed “Statutory and general information — E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;

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**APPENDIX V    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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- (j) the service contracts and letters of appointment of our Directors referred to in the section headed “Statutory and general information — C. Further information about Substantial Shareholders, Directors and experts — 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (k) the Companies Law;
- (l) the rules of the Share Option Scheme; and
- (m) the statement of particulars of the Selling Shareholder.

