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FRASER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8366)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2017

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

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

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

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

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$20.1 million for the three months ended 31 July 2017 (the “**Reporting Period**”) (2016: approximately HK\$30.5 million), representing a decrease of approximately 34.1% as compared with the corresponding period of last year.
- Loss attributable to the owners of the Company for the three months ended 31 July 2017 amounted to approximately HK\$0.7 million (2016: Profit amounted to approximately HK\$1.9 million).
- Basic loss per share amounted to approximately HK\$0.515 cents for the three months ended 31 July 2017 (2016: Basic earnings per share approximately HK\$0.129 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 July 2017 (2016: nil).

The board (the “**Board**”) of Directors of the Company is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 July 2017 together with the comparative figures for the prior period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 JULY 2017

	<i>Notes</i>	For the three months ended 31 July	
		2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue	3	20,143	30,471
Direct costs		(18,552)	(28,187)
Gross profit		1,591	2,284
Other income	3	33	1,281
Administrative expenses		(2,152)	(1,270)
Finance costs	4	(3)	(3)
(Loss) Profit before income tax	6	(531)	2,292
Income tax expense	5	(210)	(436)
(Loss) Profit for the period		(741)	1,856
Other comprehensive (loss) income for the period, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain of Available-for-sale financial assets		—	788
Total comprehensive (loss) income for the period attributable to the owners of the Company		(741)	2,644
		<i>HK cents</i>	<i>HK cents</i>
(Loss) Earnings per share			
— Basic and diluted	8	(0.515)	0.129

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 JULY 2017

	Share capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Merger reserve* <i>HK\$'000</i> <i>(Note)</i>	Available- for-sale financial assets investment revaluation reserve* <i>HK\$'000</i>	Retained earnings* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2016	14,400	24,457	18,001	–	22,271	79,129
Available-for-sale — Fair value gain credited to equity	–	–	–	788	–	788
Profit and total comprehensive income for the period	–	–	–	–	1,856	1,856
Total comprehensive income	–	–	–	788	1,856	2,644
At 31 July 2016 (unaudited)	<u>14,400</u>	<u>24,457</u>	<u>18,001</u>	<u>788</u>	<u>24,127</u>	<u>81,773</u>
At 1 May 2017	14,400	24,457	18,001	–	26,838	83,696
Loss and total comprehensive income for the period	–	–	–	–	(741)	(741)
At 31 July 2017 (unaudited)	<u>14,400</u>	<u>24,457</u>	<u>18,001</u>	<u>–</u>	<u>26,097</u>	<u>82,955</u>

* The total of these balances represents “Reserves” in the condensed consolidated statement of financial position.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Fraser Holdings Limited (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 United Financial Holdings Group Limited, a company incorporated in Hong Kong and Century Investment Holdings Limited, a company incorporated in the Cayman Islands and wholly owned by Mr. Zhou Ying (collectively referred as the “**Controlling Shareholders**”).

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

The Company’s shares have been listed on the Growth Enterprise Market of The Stock Exchange since 2 November 2015 (the “**Listing**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 July 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). The accounting policies adopted by the Group are consistent with financial statements for the year ended 30 April 2017.

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

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

Breakdown of the Group’s revenue is set out as follows:

	Three months ended 31 July	
	2017	2016
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Contracting revenue	<u>20,143</u>	<u>30,471</u>
Revenue	<u>20,143</u>	<u>30,471</u>

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

An analysis of the Group's revenue and contribution to profit from operating activities from undertaking slope works, foundation works and other general building works in Hong Kong in the ordinary course of business during the three months ended 31 July 2017 and 2016 are as follows:

	Three months ended 31 July	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Slope works	18,323	25,944
Foundation works	1,820	4,327
General building works	–	200
	20,143	30,471

An analysis of other income is as follows:

	Three months ended 31 July	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	–	1,000
Interest income	–	249
Sundry income	33	32
	33	1,281

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group during the Reporting Period are as follows:

	Three months ended 31 July	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	N/A¹	4,327
CEDD	7,216	17,984
Hong Kong Housing Authority	2,205	–
Lands Department	7,329	5,887
	16,750	28,198

¹ The revenue from these customer amounted to less than 10% of the total revenue of the Group.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on finance leases	<u>3</u>	<u>3</u>

5. INCOME TAX EXPENSE

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong: — charge for the period	<u>210</u>	<u>436</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the Company's estimated assessable profits for the period.

No deferred tax has been provided in the unaudited condensed consolidated financial statements as there is no material temporary difference as at the reporting dates.

6. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax has been arrived at after charging:

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
— salaries, allowances and benefits in kind	1,033	1,341
— retirement benefits scheme contributions	42	45
	<hr/>	<hr/>
Total staff costs (including directors' emoluments)	1,075	1,386
	<hr/> <hr/>	<hr/> <hr/>
Depreciation in respect of plant and equipment		
— leased assets	6	6
— owned assets	43	35
	<hr/>	<hr/>
	49	41
	<hr/> <hr/>	<hr/> <hr/>
Operating lease charges:		
— Land and buildings	96	96
	<hr/> <hr/>	<hr/> <hr/>
Subcontracting charges (included in direct costs)	17,876	26,606
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDEND

The Directors do not recommend a payment of an interim dividend for the three months ended 31 July 2017 (2016: nil).

8. (LOSS) EARNINGS PER SHARE

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

Three months ended 31 July	
2017	2016
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

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

(Loss) earnings

(Loss) profit for the period attributable to equity holders of the Company for the purpose of basic (loss) earnings per share

<u>(741)</u>	<u>1,856</u>
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Three months ended 31 July	
2017	2016
'000	'000
(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share

<u>1,440,000</u>	<u>1,440,000</u>
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The calculation of basis loss per share for the three months ended 31 July 2017 is based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the periods of has been determined based on the assumption that the capitalisation issue have been effective on 1 May 2014.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

Hong Kong construction companies are facing tougher competitive condition, as well as the slower progress of scrutinising the funding proposals for public works projects by the Finance Committee and the Public Works Subcommittee due to political and social chaos in Hong Kong. The Group has also been facing challenging operating environment resulting from increasing costs of operation including, in particular, costs of construction labours and subcontracting charges. As such, the Directors consider that competition in the market has become more intense recently.

Nevertheless, we believe that the Hong Kong Government’s continuing increase in major construction and infrastructure projects in Hong Kong will increase the demand for slope works because of the continued implementation of the “Ten Major Infrastructure Projects” and the fact that slope works are directly related to public safety. The Hong Kong Observatory has predicted a higher than average rainfall for the coming year, which increases the risk of landslides and the Hong Kong Government forecasted a further financial provision would be made as always for conducting major mitigation measures to reduce the landslide risk at slopes. All in all, the Directors remain cautiously optimistic about the slope works industry in Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased by approximately HK\$10.4 million or approximately 34.1% from approximately HK\$30.5 million for the three months ended 31 July 2016 to approximately HK\$20.1 million for the three months ended 31 July 2017. The decrease in revenue was mainly due to the decrease in the average revenue recognised per project.

The Board regards the Group's business of construction as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented. No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong. The Group's principal operating activities during the three months ended 31 July 2017 are as follows:

Slope works: Undertaking landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Revenue from undertaking slope works decreased from approximately HK\$25.9 million for the three months ended 31 July 2016 to approximately HK\$18.3 million for the three months ended 31 July 2017, representing a decrease of approximately 29.3%. The decrease in revenue was primarily attributable to a lower amount of revenue from slope works projects of Civil Engineering and Development Department ("CEDD") for the three months ended 31 July 2017, which was due to the completion of the works scheduled under some of the Group's slope work projects and less work orders were received from its slope work projects.

Foundation works: Undertaking works in relation to the construction of foundations for general building construction. Revenue from undertaking foundation works decreased from approximately HK\$4.3 million for the three months ended 31 July 2016 to approximately HK\$1.8 million for the three months ended 31 July 2017, representing a decrease of approximately 58.1%, as a result of the decrease in the contract size of foundation project undertaken by the Group during the three months ended 31 July 2017.

General building works: Undertaking general construction of buildings. Revenue from undertaking general building works decreased from approximately HK\$0.2 million for the three months ended 31 July 2016 to HK\$Nil for the three months ended 31 July 2017, representing a decrease of 100%, as there was no general building works services provided by the Group for the three months ended 31 July 2017.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$0.7 million or approximately 30.4% from approximately HK\$2.3 million for the three months ended 31 July 2016 to approximately HK\$1.6 million for the three months ended 31 July 2017 and the Group's gross profit margin increase from approximately 7.5% for the three months ended 31 July 2016 to approximately 7.9% for the three months ended 31 July 2017. The slight increase in gross profit margin was mainly due to close monitoring of cost.

The Group's cost of services rendered decreased by approximately HK\$9.6 million or approximately 34.0% from approximately HK\$28.2 million for the three months ended 31 July 2016 to approximately HK\$18.6 million for the three months ended 31 July 2017. Such decrease was mainly attributable to the decrease in amount of works performed resulting in the decrease in our subcontracting charges.

Other Income

The Group's other income decreased by approximately HK\$1.27 million or approximately 97.7% from approximately HK\$1.3 million for the three months ended 31 July 2016 to approximately HK\$0.03 million for the three months ended 31 July 2017. The decrease in the Group's other income mainly due to absence in gain on disposal of motor vehicles and there was no interest income derived from available-for-sale financial assets during the three months ended 31 July 2017.

Administrative Expenses

The Group's administrative expenses increase by approximately HK\$0.9 million or approximately 69.2% from approximately HK\$1.3 million for the three months ended 31 July 2016 to approximately HK\$2.2 million for the three months ended 31 July 2017. The increase in the Group's administrative expenses was primarily due to the legal and professional fee relating to unconditional mandatory general offer of approximately HK\$0.9 million incurred during the three months ended 31 July 2017.

Net (Loss) Profit

Loss attributable to owners for the three months ended 31 July 2017 was approximately HK\$0.7 million as compared to profit attributable to owners of approximately HK\$1.9 million for the three months ended 31 July 2016. The turnaround from profit to loss for 2017 was mainly due to the decrease in revenue, gross profit, other income and increase in administrative expenses for the three months ended 31 July 2017 as discussed above.

DISCLOSURE OF INTERESTS

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

As at 31 July 2017, the interests and short positions of the Directors or chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long position in the Company's Shares*

Name of Director	Capacity/Nature	Number of shares held/ interested	Approximate percentage of shareholding
Mr. Zhou Ying	Interest of a controlled corporation (<i>Note</i>)	1,080,000,000	75%

Note:

Mr. Zhou Ying beneficially owns the entire issued share capital of Century Investment Holdings Limited, which wholly owns the shares in United Financial Holdings Group Limited. Therefore, Mr. Zhou Ying is deemed or taken to be interested in all the shares of the Company held by United Financial Holdings Group Limited for the purpose of the SFO.

(ii) Long position in the shares of associated corporations

Name of Director	Name of associated Corporation	Capacity/Nature	Number of shares held/ interested	Approximate percentage of shareholding
Mr. Zhou Ying	United Financial Holdings Group Limited	Beneficial owner	1,000,000	100%
	Century Investment Holdings Limited	Interest of a controlled corporation	1	100%

Note:

Mr. Zhou Ying beneficially owns the entire issued share capital of Century Investment Holdings Limited, which wholly owns the shares in United Financial Holdings Group Limited. Therefore, Mr. Zhou Ying is deemed or taken to be interested in all the shares of the Company held by United Financial Holdings Group Limited for the purpose of the SFO.

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

As at 31 July 2017, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/nature	Number of shares held/ interested	Approximate percentage of shareholding
United Financial Holdings Group Limited	Beneficial owner	1,080,000,000	75%
Century Investment Holdings Limited	Interest of a controlled corporation	1,080,000,000	75%

OTHER INFORMATION

Competing Interests

None of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the three months ended 31 July 2017.

Compliance Adviser's Interests

As at 31 July 2017, as notified by the then Company's compliance adviser, Dakin Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 February 2016, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 31 July 2017 and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Corporate Governance Code

During the three months ended 31 July 2017 and up to the date of this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules save for the deviation from code provision A.2.1 explained below.

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

The Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Zhou is beneficial to the business operations and management of Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represent majority of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

Code of Conduct Regarding Securities Transactions by Directors

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors the (“**Code of Conduct**”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the three months ended 31 July 2017 and up to the date of this announcement.

Dividends

The Board did not recommend any payment of dividend for the three months ended 31 July 2017 (2016: Nil).

Share Option Scheme

The Company has conditionally adopted a share option scheme on 15 October 2015 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 July 2017.

Audit Committee

The Company established the Audit Committee on 14 October 2015 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the Stock Exchange and the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zheng Xuchen, Mr. Wong Man Hin, Raymond and Mr. Tang Yiu Wing. The chairman of the Audit Committee is Mr. Wong Man Hin, Raymond, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee had reviewed the unaudited condensed consolidated results of the Group for the three months ended 31 July 2017 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
Fraser Holdings Limited
Zhou Ying
Chairman

Hong Kong, 5 September 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Zhou Ying and Ms. Meng Ying, and the independent non-executive Directors of the Company are Mr. Zheng Xuchen, Mr. Wong Man Hin, Raymond and Mr. Tang Yiu Wing.