

Tai Kam Holdings Limited 泰錦控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8321

PLACING

Sponsor



Joint Bookrunners and Joint Lead Managers



Co-lead Managers



IMPORTANT

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



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

Number of Placing Shares : 200,000,000 Shares

Placing Price : HK\$0.35 per Placing Share (plus brokerage
of 1%, SFC transaction levy of 0.0027%
and Stock Exchange trading fee of 0.005%
payable in full on application)

Nominal value : HK\$0.01 per Share

Stock code : 8321

Sponsor



Joint Bookrunners and Joint Lead Managers



Co-lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Pursuant to the termination provisions contained in the Underwriting Agreement, the Joint Lead Managers (for themselves and on behalf of the other Underwriters) have the right in certain circumstances, at their 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 Listing Date (such date is currently expected to be on 28 October 2016). Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Agreement and expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

Prior to making any 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.

20 October 2016

CHARACTERISTICS OF GEM

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.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of our Company at www.taikamholdings.com and the Stock Exchange at www.hkexnews.hk.

2016

(Note 1)

- Announcement of the level of indications of interest
in the Placing to be published on our Company's
website at www.taikamholdings.com and the website
of the Stock Exchange at www.hkexnews.hk (*Note 2*) Thursday, 27 October
- Allotment of Placing Shares to placees
(or their designated person(s)) on or about Thursday, 27 October
- Despatch of share certificates for the Placing Shares
into CCASS on or about (*Notes 3 and 4*) Thursday, 27 October
- Dealings in the Shares on GEM to commence
at 9:00 a.m. on Friday, 28 October

Notes:

1. All times and dates refer to Hong Kong local times and dates. 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 for the Placing Shares 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 Thursday, 27 October 2016 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 Friday, 28 October 2016) provided that (i) the Placing becomes unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Agreement and expenses — Grounds for termination" in this prospectus has not been exercised and has lapsed.

Pursuant to the termination provisions contained in the Underwriting Agreement, the Joint Lead Managers (for themselves and on behalf of the other Underwriters) have the right in certain circumstances, subject to their 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 Friday, 28 October 2016). Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Agreement and expenses — Ground for termination" in this prospectus.

CONTENTS

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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Placing.

CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS AND GLOSSARY	12
FORWARD-LOOKING STATEMENTS	21
RISK FACTORS	22
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	39
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	42
CORPORATE INFORMATION	45
INDUSTRY OVERVIEW	47
REGULATORY OVERVIEW	59
HISTORY AND DEVELOPMENT	76
BUSINESS	86
DIRECTORS AND SENIOR MANAGEMENT	152
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	165
SUBSTANTIAL SHAREHOLDERS	169
SHARE CAPITAL	171
FINANCIAL INFORMATION	175
FUTURE PLANS AND USE OF PROCEEDS	210
UNDERWRITING	216
STRUCTURE AND CONDITIONS OF THE PLACING	225

CONTENTS

APPENDIX I	— ACCOUNTANTS' REPORT	I-1
APPENDIX II	— UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III	— SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV	— STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V	— DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

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” in this prospectus.

BUSINESS OVERVIEW

We undertake slope works in Hong Kong as main contractor. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

The majority of our revenue during the Track Record Period was derived from Government projects, where our customers primarily included the CEDD, the Housing Authority and the AFCD. During the Track Record Period, we had also undertaken some non-Government projects, where our customers were a tertiary educational institution in Hong Kong and the manager of a real estate investment trust listed in Hong Kong. During the Track Record Period, we had an aggregate of 18 projects with revenue contribution to us. The following table sets forth a breakdown of our revenue during the Track Record Period by Government and non-Government projects:

	FY2014/15		FY2015/16	
	HK\$'000	%	HK\$'000	%
Government projects	74,871	96.38	92,778	95.46
Non-Government projects	2,812	3.62	4,416	4.54
Total	<u>77,683</u>	<u>100.00</u>	<u>97,194</u>	<u>100.00</u>

We possess our own direct labour resources for performing slope works. For each of FY2014/15 and FY2015/16, our staff costs (under our direct costs) amounted to approximately HK\$12.12 million and HK\$17.95 million respectively, representing approximately 18.92% and 23.14% of our total direct costs for the respective years. Depending on the availability of our own resources, we may also subcontract the works to subcontractors. Subcontracting charges constitute the most significant component of our direct costs during the Track Record Period. For each of FY2014/15 and FY2015/16, our subcontracting charges amounted to approximately HK\$39.85 million and HK\$45.23 million respectively, representing approximately 62.19% and 58.32% of our total direct costs for the respective years. In addition, we also possess certain machinery for carrying out slope works while we may also rent machinery from third parties or require our subcontractors to arrange for machinery where applicable. During the Track Record Period, our suppliers of goods and services mainly

SUMMARY

included (i) subcontractors; and (ii) suppliers of construction materials and consumables required for slope works such as steel bars, concrete, cement and diesel; and (iii) suppliers of other miscellaneous services such as transportation and rental of machinery, and testing and surveying on the quality of materials.

Tai Kam 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 slope works contracts.

HISTORY AND DEVELOPMENT

The history of our Group can be traced back to 2002 when our founders, Mr. KS Lau and Mr. Sanny Lau, incorporated Ease Geotechnical in Hong Kong to undertake construction works. In 2005, Ease Geotechnical acquired the entire interests of Tai Kam Construction (which was then in financial difficulty) from all of the then shareholders of Tai Kam Construction, who were, save as being the former shareholders and/or directors of Tai Kam Construction, independent third parties, by way of a creditors’ scheme of arrangement sanctioned by court under section 166 of the Predecessor Companies Ordinance. Since then, Tai Kam Construction has become our principal operating subsidiary. For further information, please refer to the section headed “History and development” in this prospectus.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

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 in Hong Kong. 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 every year. Please refer to the section headed “Industry overview — Slope works industry overview — Landslip Prevention and Mitigation Programme” in this prospectus for further information.

According to the Ipsos Report, the top six slope works contractors in Hong Kong together accounted for approximately 62.9% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government slope works). Tai Kam Construction, our principal operating subsidiary, was the sixth largest slope works contractor in Hong Kong in 2015, with approximately 5.3% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government slope works).

SUMMARY

We believe that our competitive strengths include (i) our high performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government; (ii) our experienced project management team; and (iii) our stringent quality control, safety and environmental management systems which conform to the ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 standards respectively.

MARKETING AND PRICING STRATEGY

During the Track Record Period, we had not engaged in any significant marketing activities other than liaising with our customers for relationship building and management. This was because the majority of our revenue was derived from Government projects, which are normally awarded through open tendering procedures. Our Directors consider that in order to obtain new Government contracts through open tendering procedures, we should focus on: (i) maintaining our qualification as 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" with a confirmed status so as to be eligible to tender for public slope works contracts; and (ii) maintaining our high performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government by delivering high quality services.

Our pricing is generally determined on a project-by-project basis based on certain markup over our estimated costs having regard to various factors, which generally include (i) the overall cost expected to be incurred in undertaking the project with reference to the preliminary quotations obtained from our subcontractors and/or 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 possibly difficult site conditions; (iii) the completion timeframe requested by our customer; (iv) where applicable, our competitive advantage in relation to the performance ratings of Tai Kam Construction under the Contractors' Performance Index System; and (v) our available resources and other factors and conditions in general.

CUSTOMER CONCENTRATION AND SUPPLIER CONCENTRATION

For each of FY2014/15 and FY2015/16, our revenue generated from Government projects represented approximately 96.38% and 95.46% of our Group's total revenue respectively. In particular, for each of FY2014/15 and FY2015/16, our revenue generated from slope works contracts awarded by CEDD represented approximately 80.80% and 81.94% of our total revenue respectively. Our Directors consider that our Group's business model is sustainable despite such customer concentration having regard 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, the eligibility and procedures for tendering for Government contracts, and our competitive advantage in relation to the high performance ratings of Tai Kam Construction under the Contractors' Performance Index System. For further information, please refer to the section headed "Business — Customers — Customer concentration" in this prospectus.

SUMMARY

For each of FY2014/15 and FY2015/16, our purchases from our five largest suppliers amounted to approximately HK\$36.02 million and approximately HK\$40.64 million respectively, representing approximately 74.61% and 71.97% of our total purchases for the respective years. In addition, for each of FY2014/15 and FY2015/16, our purchases from our largest supplier amounted to approximately HK\$22.71 million and approximately HK\$22.25 million respectively, representing approximately 47.05% and 39.40% of our total purchases for the respective years. Please refer to the section headed “Business — Suppliers — Supplier concentration” in this prospectus for further information.

KEY OPERATIONAL AND FINANCIAL DATA

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

<i>(Expressed in HK\$'000 except for tender success rate and financial ratios)</i>	FY2014/15 or as at 30 April 2015	FY2015/16 or as at 30 April 2016
<i>Results of operations</i>		
Revenue	77,683	97,194
Gross profit	13,608	19,633
Profit before income tax	12,577	15,844
Profit for the year	10,548	12,902
<i>Cash flows</i>		
Operating profit before working capital changes	13,284	16,622
Net cash generated from operating activities	3,128	4,558
Net cash used in investing activities	(1,443)	(1,097)
Net cash used in financing activities	—	(8,070)
Net increase/(decrease) in cash and cash equivalents	1,685	(4,609)
<i>Operational statistics</i>		
Number of tender invitations and notices	24	25
Number of tenders submitted	20	11
Number of contracts awarded	5	1
Tender success rate (<i>Note 1</i>)	25%	9%
<i>Financial position</i>		
Non-current assets	2,543	2,862
Current assets	36,250	43,232
Non-current liabilities	284	323
Current liabilities	18,632	16,487
Net current assets	17,618	26,745
Total equity	19,877	29,284

SUMMARY

	FY2014/15 or as at 30 April 2015	FY2015/16 or as at 30 April 2016
<i>Key financial ratios (Note 2)</i>		
Gross profit margin	17.52%	20.20%
Net profit margin	13.58%	13.27%
Return on equity	53.07%	44.06%
Return on total assets	27.19%	27.99%
Current ratio	1.95	2.62
Trade receivables turnover days	29.19 days	31.89 days
Trade payables turnover days	34.00 days	33.93 days
Gearing ratio	43.25%	0.00%

Notes:

1. Tender success rate for a financial year is calculated based on the number of contracts awarded (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.
2. Please refer to the section headed “Financial information — Key financial ratios” in this prospectus for the method of calculation of the above key financial ratios.

We may respond to tender notices or invitations by submitting tenders even at times when we may not have sufficient capacity to undertake more projects. 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 development and pricing trends which are useful to us in tendering for projects in the future. Due to such strategy and subject to our available resources and working capital from time to time, we may submit tenders which are less competitive for certain projects, thereby leading to fluctuations in our overall tender success rates from period to period. Specifically, our tender success rate decreased significantly from approximately 25% for FY2014/15 to approximately 9% for FY2015/16, mainly due to a number of relatively sizeable contracts awarded to us at the beginning of FY2015/16 (for which our tenders were submitted during FY2014/15) with contract period of two to three years which were expected to take up substantial amounts of our available resources and working capital to execute, thereby limiting our available resources for undertaking additional contracts. Therefore, during FY2015/16, some of the tenders we submitted were less competitive in terms of pricing, as we were not particularly keen on winning such tenders but at the same time we wished, through participating in the tender process, to maintain our relationship with the relevant customers, to maintain our presence in the market, and to be informed of the latest market development and pricing trends. Given our tender strategy and in view of the aggregate amount of original contract sum in respect of the contracts awarded to us during the Track Record Period and our current contracts on hand, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

During the Track Record Period, our cash flows from operating activities were mainly affected by cash outflow for the settlement of amount due to a director (being Mr. KS Lau) and prepayments

SUMMARY

of listing expenses. Our net cash used in investing activities was mainly in relation to our purchase of machinery and equipment and motor vehicles. Our net cash used in financing activities increased significantly from nil in FY2014/15 to approximately HK\$8.07 million in FY2015/16, mainly due to cash used in paying dividends during FY2015/16.

Our gearing ratio (calculated as total borrowings (including payables incurred not in our ordinary course of business) divided by total equity) decreased significantly from approximately 43.25% as at 30 April 2015 to zero as at 30 April 2016. This was because as at 30 April 2015, we had an amount due to Mr. KS Lau of approximately HK\$8.60 million which were used for financing our business operation. We have fully repaid such amount due to Mr. KS Lau during FY2015/16. As at 30 April 2016, we did not have any outstanding amount due to Mr. KS Lau or other borrowings, as our business operations could be adequately supported by our internal resources.

In FY2015/16, our revenue increased by approximately 25.12% as compared with that in FY2014/15, which was primarily due to the increase in revenue derived from certain slope works contracts which were awarded by the CEDD and which were ongoing or commenced during the Track Record Period as a result of our actual works progress under the relevant contracts.

Our gross profit margin for FY2015/16 increased by approximately 2.68 percentage points, mainly as a result of the increased use of our own labour resources relative to our engagement of subcontractors for the performance of site works. Our Directors consider that holding all else the same, the use of our own direct labour resources (as compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

Despite the increase in our gross profit margin, we recorded a slight decrease in our net profit margin by approximately 0.31 percentage points, mainly due to the recognition of non-recurring listing expenses of approximately HK\$1.94 million in FY2015/16 (FY2014/15: nil) and the tax effect of the non-deductible listing expenses. Please refer to the section headed “Financial information” in this prospectus for a further discussion and analysis of our financial information.

CONTROLLING SHAREHOLDERS

By virtue of the Concert Party Deed, Mr. KS Lau and Mr. Sanny Lau are a group of Controlling Shareholders acting in concert. Immediately following the completion of the Capitalisation Issue and the Placing, each of Mr. KS Lau, Mr. Sanny Lau and Classy Gear will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Mr. KS Lau, Mr. Sanny Lau and Classy Gear are our Controlling Shareholders. Classy Gear is an investment holding company incorporated in the BVI and had not commenced any substantive business activities as at the Latest Practicable Date. Mr. KS Lau is the chairman of the Board, an executive Director and our chief executive officer. Mr. Sanny Lau is an executive Director. Mr. KS Lau and Mr. Sanny Lau are brothers. Please refer to the section headed “Directors and senior management” in this prospectus for the biographical information of Mr. KS Lau and Mr. Sanny Lau.

SUMMARY

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this prospectus before making any investment decision in the Placing Shares. Some of the more particular risk factors include the following: (i) a significant portion of our revenue during the Track Record Period was generated from slope works contracts awarded by the CEDD and any significant reduction in the level of Government’s spending on slope works may materially and adversely affect us; (ii) our revenue is mainly derived from projects which are non-recurring in nature and our business depends 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 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 on 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; (vi) our Group is dependent on key personnel and there is no assurance that our Group can retain them; (vii) our top five suppliers accounted for a substantial portion of our purchases; (viii) the Government’s budget and funding for slope works projects may be adversely affected by lawmakers’ filibustering in the Legislative Council; and (ix) rising construction costs, including the costs of construction workers and construction materials, may increase our costs of operation.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we experienced a number of employees’ compensation claims and common law personal injury claims, all of which were, or are expected to be, fully covered by insurance and/or recovered from our relevant subcontractors. For details, please refer to the section headed “Business — Litigation and claims” in this prospectus.

TEMPORARY SUSPENSION FROM TENDERING IN 2008-2009

Tai Kam Construction agreed to a temporary suspension from tendering for public slope works contracts for eight months from 31 December 2008 to 30 August 2009, following the conclusion made by a panel of enquiry that there were deficiencies in the safety management system of Tai Kam Construction which had contributed to the occurrence of a fatal accident that took place in December 2007. The fatal accident did not result in any criminal charges or convictions (whether labour safety-related or not) against Tai Kam Construction or any of our Directors. Our Directors consider that such temporary suspension have no material impact on our business and financial position and prospects during the Track Record Period and going forward, primarily because (i) the fatal accident took place more than eight years ago; (ii) the Secretary for Development was satisfied with the improvements made by Tai Kam Construction in respect of site safety according to a letter dated 26 August 2009 from the Works Branch of the Development Bureau of the Government; (iii) the suspension was temporary and Tai Kam Construction was allowed to resume tendering for public slope works upon the expiry of the aforesaid eight-month period; (iv) Tai Kam Construction was able to tender for, and has been successfully awarded with, various Government slope works contracts during the Track Record Period; (v) our Group recorded only one alleged workplace accident during the Track Record Period; and (vi) Tai Kam Construction’s quarterly performance ratings under the Contractors’

SUMMARY

Performance Index System as appraised by the Development Bureau of the Government were either above the average rating or equal to the highest rating among all contractors being rated under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” for the last nine consecutive quarters up to the second quarter of 2016, where “site safety” is the most significant attribute that carries the highest weighting when calculating a contractor’s performance rating. For further details, please refer to the paragraph headed “Business — Licences and qualifications — Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009” in this prospectus.

PLACING STATISTICS

Number of Placing Shares:	200,000,000 Shares
Placing Price:	HK\$0.35 per Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)
Market capitalisation of the Shares:	HK\$280,000,000
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share:	HK\$0.10. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure.

DIVIDEND

For each of FY2014/15 and FY2015/16, we declared dividends of nil and approximately HK\$9.60 million respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including our operation and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$20.44 million. Out of the amount of approximately HK\$20.44 million, approximately HK\$6.29 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\$14.15 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$14.15 million that shall be charged to profit or loss, nil and approximately HK\$1.94 million has been charged for each of FY2014/15 and FY2015/16 respectively, and approximately HK\$12.21 million is expected to be incurred for FY2016/17. Expenses in relation to the Listing are non-recurring in nature. Our Group’s financial performance and results of operations for FY2016/17 will be affected by the expenses in relation to the Listing.

SUMMARY

BUSINESS STRATEGY, FUTURE PLANS AND USE OF PROCEEDS

Our principal business objective is to further strengthen our position as an established slope works contractor in Hong Kong. We intend to achieve our business objective by expanding our scale of operation through actively seeking opportunities in undertaking additional slope works contracts on top of our present scale of operation and our current contracts on hand. Our current intended business strategy is to enhance our machinery, equipment and manpower as well as to increase our available working capital, so as to enable us to expand our business by undertaking additional Government slope works contracts, to be executed by our own direct labour resources without any substantial use of subcontractors.

One of the key factors affecting our ability to undertake additional slope works contracts on top of our present scale of operation and our current contracts on hand is the amount of our available working capital because: (1) the retention of Tai Kam Construction on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” is subject to certain minimum capital requirements being met from time to time taking into account our outstanding workload and available financial resources, as set forth in the section headed “Business — Licences and qualifications” in this prospectus, including in particular the requirement of a minimum working capital of, in the case of Tai Kam Construction at present, the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the Government and non-Government projects; and (2) there are various other working capital requirements associated with undertaking contract works, as discussed in the section headed “Business — Risk management and internal control systems — (v) Liquidity risk” in this prospectus. Therefore, if we are to continue to expand our business scale and undertake more contracts going forward, we must continue to increase our available financial resources.

According to the calculation method of the Works Branch of the Development Bureau of the Government, our Group’s available working capital (including our available banking facilities) was approximately HK\$35.97 million as at 30 April 2016. Following the submission of our listing application to the Stock Exchange in June 2016 and prior to the Listing, we made payments of listing expenses of an aggregate amount of approximately HK\$5.0 million out of our available cash and bank balances. As a result, taking into account our available banking facilities, our Group’s current available working capital is approximately HK\$30.97 million while the average amount of working capital that we are required to maintain (calculated based on 10% of the average combined annual value of uncompleted works of our outstanding contracts as at the Latest Practicable Date of approximately HK\$143.76 million and 10% of the average combined annual value of the additional Government slope works contracts to be undertaken by us of approximately HK\$80 million) is approximately HK\$22.38 million. Based on the above and taking into account our available banking facilities, our current available working capital is approximately HK\$8.59 million above the minimum working capital that we are required to maintain, which is not sufficient to satisfy our costs of various investments in machinery, equipment and manpower necessary for undertaking additional contracts.

SUMMARY

Although we had available unutilised banking facilities in the aggregate amount of HK\$15 million as at the Latest Practicable Date (as further discussed in the section headed “Financial information — Indebtedness — Banking facilities” in this prospectus), such banking facilities were obtained by us in order to ensure, among other things, that we are able to meet our liquidity needs in case any unforeseen circumstances arise which require the use of immediate available funds. Given our current working capital needs as discussed above, if we pursue our business strategy by fully utilising our banking facilities and without raising additional funding, this would mean that our financial resources will be stretched to the limit, and, from a perspective of prudent financial management, our Directors do not consider this to be in the interest of our Company as this could lead to a significantly higher risk of insolvency if any unforeseen circumstances arise. In addition, interest expenses will be incurred when we utilise our banking facilities or pursue other debt financing exercises, which will affect our financial performance.

Our Directors estimate that various investments in machinery, equipment and manpower will be necessary and various operating expenses will be incurred in relation to our plan to undertake additional Government slope works contracts. In addition, additional funding will be required in order to satisfy the aforementioned working capital requirements. Our Directors estimate that the proceeds from the Placing will enable our Group to undertake additional slope works contracts (on top of our present scale of operation and our current contracts on hand) with an aggregate contract sum of approximately HK\$140 million to HK\$180 million (assuming a contract period of approximately two to three years). It is the current intention of our Directors to apply the net proceeds from the Placing to be received by our Company (estimated to be approximately HK\$49.56 million) for satisfying some of the costs and working capital requirements associated with undertaking the additional Government slope works contracts, as summarised as follows: (i) approximately HK\$3.30 million (approximately 6.66% of the net proceeds) will be used for the addition of necessary machinery, equipment and motor vehicles; (ii) approximately HK\$34.66 million (approximately 69.94% of the net proceeds) will be used for recruiting and retaining necessary additional staff; (iii) approximately HK\$3.60 million (approximately 7.26% of the net proceeds) will be used for other related initial costs (including those in relation to setting up site offices and taking out necessary project-related insurance policies); and (iv) approximately HK\$8.00 million (approximately 16.14% of the net proceeds) will be earmarked for satisfying the applicable working capital requirement in connection with undertaking the additional Government slope works contracts, which is estimated on the assumption of an aggregate contract sum of the additional contracts of approximately HK\$160 million and an average contract period of approximately two years, and thus a combined annual value of uncompleted works on the additional contracts of approximately HK\$80 million. For further information, please refer to the sections headed “Business — Business strategy” and “Future plans and use of proceeds” in this prospectus.

Based on the information currently available to us, our Group presently intends to pursue tender opportunities offered by the CEDD for the implementation of our business strategy. Specifically, based on the “Forecast of Invitations to Tender” published on the website of the Development Bureau and due to reasons set out in the section headed “Business — Business strategy — Reasonableness and feasibility of our business strategy” in this prospectus, our Directors are confident that if additional funding from the Placing is available to our Group, we will be able to undertake two additional CEDD slope works contracts by the end of FY2016/17, each with a contract sum of approximately HK\$70 million to HK\$90 million and a contract period of approximately two to three years. Nevertheless, such two additional CEDD slope works contracts were not yet available for tendering as of the Latest

SUMMARY

Practicable Date and the award of such contracts is uncertain. If we are successful in obtaining such two additional CEDD contracts as planned, we intend to apply the proceeds from the Placing in the manner as summarised in the preceding paragraph. In the event that we are unable to obtain the aforesaid two additional CEDD contracts as intended, our Directors believe that with the proceeds from the Placing and due to reasons discussed in the section headed “Business — Business strategy — Reasonableness and feasibility of our business strategy” in this prospectus, we will be able to obtain additional slope works contracts from other Government departments and agencies with an aggregate contract sum of approximately HK\$140 million to HK\$180 million for the implementation of our business strategy. In such case, we will apply the proceeds from the Placing in a similar manner as discussed in the preceding paragraph.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had continued to focus on our business of undertaking slope works in Hong Kong.

As at the Latest Practicable Date, we had a total of five projects on hand (i.e. projects that have commenced but not completed), with total amount of revenue expected to be recognised from such projects on hand amounting to approximately HK\$156.26 million for FY2016/17 and approximately HK\$131.26 million after FY2016/17. Please refer to the section headed “Business — Projects on hand” in this prospectus for a full list of our projects on hand as at the Latest Practicable Date.

As discussed above, we expect to recognise revenue of approximately HK\$156.26 million for FY2016/17 based only on the contract sum of our projects on hand, which is higher than our revenue of approximately HK\$77.68 million for FY2014/15 and approximately HK\$97.19 million for FY2015/16. However, our Directors currently expect that our gross profit margin for FY2016/17 may be lower than what we recorded during the Track Record Period, primarily because (i) we completed a sizeable CEDD project in April 2016 which was carried out substantially by our own direct labour resources and which carried a relatively high profit margin; (ii) most of the expected revenue for FY2016/17 in respect of our projects on hand are expected to be derived from those that are being carried out substantially by subcontractors engaged by us and therefore carried relatively low profit margins; and (iii) the potential positive effect on our profit margin of our aforementioned business strategy to undertake two additional sizeable contracts to be executed by our own direct labour resources is not expected to be significant for FY2016/17 due to the implementation timetable of the business strategy and the expected works commencement dates of the two additional contracts that are in the second half of FY2016/17. In addition, our Group’s financial performance and results of operations for FY2016/17 will be affected by the expenses in relation to the Listing.

Our Directors confirm that 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 2016, and there have been no events since 30 April 2016 which would materially affect the information shown in our combined financial statements included in the accountants’ report set out in Appendix I to this prospectus.

DEFINITIONS AND GLOSSARY

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

“AFCD”	the Agriculture, Fisheries and Conservation Department of the Government
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 26 September 2016, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“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
“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(s)”	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 allotment and issue of 599,990,000 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 paragraph headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 26 September 2016” in Appendix IV to this prospectus
“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

DEFINITIONS AND GLOSSARY

“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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEDD”	Civil Engineering and Development Department of the Government
“Classy Gear”	Classy Gear Limited, a company incorporated in the BVI with liability limited by shares on 12 January 2016, which is owned as to 75% by Mr. KS Lau and as to 25% by Mr. Sanny Lau
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Co-lead Managers”	Guoyuan Capital (Hong Kong) Limited and Sorrento Securities Limited
“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), which came into effect on 3 March 2014, as amended, modified and supplemented 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”	Tai Kam Holdings Limited (泰錦控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 April 2016
“Concert Party Deed”	a confirmatory deed dated 6 May 2016 entered into by Mr. KS Lau and Mr. Sanny Lau, details of which are set out in the section headed “History and development — Concert Party Deed” of this prospectus
“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

DEFINITIONS AND GLOSSARY

“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company and unless the context otherwise requires, means Mr. KS Lau, Mr. Sanny Lau and Classy Gear
“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
“Deed of Indemnity”	the deed of indemnity dated 26 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) as further detailed in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 26 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Ease Geotechnical”	Ease Geotechnical Engineering Company Limited (應順土力工程有限公司), a company incorporated in Hong Kong on 15 March 2002 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“FY2014/15”	the financial year ended 30 April 2015
“FY2015/16”	the financial year ended 30 April 2016
“FY2016/17”	the financial year ending 30 April 2017
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as amended, modified and supplemented from time to time
“Government”	the government of Hong Kong
“Government projects” or “Government contracts”	works contracts of which the project employer is a Government department or a Government authority

DEFINITIONS AND GLOSSARY

“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 its present subsidiaries pursuant to the Reorganisation, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing 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”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of our Company
“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 for 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) our Company or any of the Directors, chief executive or Substantial Shareholders of our Company and our subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, a 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

DEFINITIONS AND GLOSSARY

“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing. ISO 9001:2015 is the current version of ISO 9001
“ISO 14001”	environmental management system requirements published by ISO, where ISO 14001:2015 is the current version of ISO 14001
“Joint Bookrunners” or “Joint Lead Managers”	Dakin Securities Limited and Astrum Capital Management Limited
“Labour Department”	the Labour 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”	11 October 2016, 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 Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an independent third party
“List of Approved Contractors for Public Works”	the “List of Approved Contractors for Public Works” maintained by the Development Bureau of the Government
“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
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about 28 October 2016, on which dealings in the Shares first commence on GEM
“Listing Division”	the listing division of the Stock Exchange
“LPM”	landslip prevention and mitigation
“main contractor”	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors

DEFINITIONS AND GLOSSARY

“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
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 26 September 2016, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Mr. KS Lau”	Mr. LAU King Shun (劉景順), an executive Director, the chairman of the Board, our chief executive officer and one of our Controlling Shareholders, as well as the brother of Mr. Sanny Lau and Mr. MC Lau
“Mr. MC Lau”	Mr. LAU Mei Chai (劉美齊), an executive Director as well as the brother of Mr. KS Lau and Mr. Sanny Lau
“Mr. Sanny Lau”	Mr. LAU Kan Sui Sanny (劉根水), an executive Director and one of our Controlling Shareholders, as well as the brother of Mr. KS Lau and Mr. MC Lau
“natural hillsides”	sloping terrains that are not significantly modified by human activities
“Nomination Committee”	the nomination committee of the Board
“non-Government projects” or “non-Government contracts”	works contracts that are not Government projects
“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 occupational health and safety risks associated with a business
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price as described in the section headed “Structure and conditions of the Placing” in this prospectus
“Placing Price”	HK\$0.35 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 subscribed for pursuant to the Placing

DEFINITIONS AND GLOSSARY

“Placing Shares”	the 200,000,000 Shares being offered by our Company for subscription 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
“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 arrangements implemented by our Group in preparation for the Listing which are more particularly described in the section headed “History and development” of this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented 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 26 September 2016, the principal terms of which are summarised in the paragraph headed “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
“Solar Red”	Solar Red Investments Limited, a company incorporated in the BVI with liability limited by shares on 1 January 2016, which is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS AND GLOSSARY

“Sponsor”	Dakin Capital Limited, the sponsor for the Listing and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 under the GEM Listing Rules
“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
“Sunsy Global”	Sunsy Global Limited, a company incorporated in the BVI with liability limited by shares on 1 January 2016, which is a direct wholly-owned subsidiary of our Company and the intermediate holding company of our Group upon completion of the Reorganisation
“Tai Kam Construction”	Tai Kam Construction Engineering Company Limited (泰錦建築工程有限公司), a company incorporated in Hong Kong on 19 March 1996 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“Track Record Period”	FY2014/15 and FY2015/16
“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 relating to the Placing entered into on 19 October 2016 among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus

DEFINITIONS AND GLOSSARY

“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States
“variation order(s)”	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
“%”	per cent

FORWARD-LOOKING STATEMENTS

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 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 operates;
- future developments in the industry in which our Group operates; 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 those discussed in the sections headed “Risk factors”, “Business”, “Financial information” and “Future plans and use of proceeds” in 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 assumption be proven 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.

RISK FACTORS

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 during the Track Record Period was generated from slope works contracts awarded by the CEDD and any significant reduction in the level of Government's spending on slope works may materially and adversely affect us

For each of FY2014/15 and FY2015/16, our revenue generated from slope works contracts awarded by the CEDD represented approximately 80.80% and 81.94% of our total revenue respectively. For FY2016/17, we expect to recognise revenue of approximately HK\$146.05 million from our projects from the CEDD on hand as at the Latest Practicable Date. Contracts from the CEDD are normally awarded to contractors by way of public tender and there is no assurance that we will continue to obtain contracts from the CEDD in the future. If we are unable to successfully tender for contracts from the CEDD 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 CEDD's spending budget on slope works projects may change from year to year, which in turn may be affected by various factors, including changes in the Government's policies in relation to LPM, the amount of investment in the construction of new infrastructure and improvement of existing infrastructure by the Government that involve or require slope works, the general financial conditions of the Government and the general economic conditions in Hong Kong. The Government's budget and funding for slope works projects may also be adversely affected by lawmakers' filibustering in the Legislative Council, as discussed in the paragraph headed "Risks relating to the industry in which we operate — The Government's budget and funding for slope works projects may be adversely affected by lawmakers' filibustering in the Legislative Council" below. Any reduction or significant delay in the level of spending on slope works 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 overview — Landslip Prevention and Mitigation Programme" in this prospectus for further information) may materially and adversely affect our business and operating results. In the event that the Government reduces or delays its level of spending on slope works projects and our Group fails to secure sufficient business from the non-Government 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 non-recurring in nature and our business depends on our success rate on project tendering

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

RISK FACTORS

from the Government and non-Government 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 and scale 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 FY2014/15 and FY2015/16, we recorded a tender success rate of approximately 25% and 9%, respectively. Our success rate on project tendering depends on a range of factors, which primarily include our tender price and, in particular for 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, 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 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 quotation or tender price. There is no assurance that the actual amount of time and costs during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, customers' variation orders, 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 inaccurate estimation in the time and costs involved in a project, delays in completion of works and/or cost overruns 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 FY2014/15 and FY2015/16, our revenue amounted to approximately HK\$77.68 million and HK\$97.19 million respectively (representing an increase of approximately 25.12%), while our gross profit amounted to approximately HK\$13.61 million and HK\$19.63 million respectively (representing an increase of approximately 44.28% as well as gross profit margin of approximately 17.52% and 20.20% respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance 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 and uncertainties including those set out in this section.

RISK FACTORS

Our profit margins may fluctuate from project to project due to factors such as whether we execute the works by our own labour resources or subcontract the works to subcontractors, the accuracy of our estimation of our costs, the complexity and size of the project, subcontracting charges (if applicable), prices of materials and other necessary goods and services, as well as our pricing strategy. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margin.

We must be able to remain on 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

Tai Kam 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 slope works contracts.

The retention on the List of Approved Specialist Contractors for Public Works is 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 qualifications” 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 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 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 December 2008, Tai Kam Construction agreed to a temporary suspension from tendering for public works contracts under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls” for a period of eight months as a result of a fatal accident that took place in December 2007. For further details, please refer to the section headed “Business — Licences and qualifications — Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009” in this prospectus.

In the event that Tai Kam 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 or if any of the aforesaid regulatory actions is taken against it such as suspension or downgrading, the business and financial positions and prospects of our Group could be materially and adversely affected.

RISK FACTORS

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. KS Lau, Mr. Sanny Lau and Mr. MC Lau, each being our executive Director. Details of their background and experience are set out in the section headed “Directors and senior management” in this prospectus.

Our key personnel as well as their experience in the slope works industry in Hong Kong are crucial to our operations and financial performance. In addition, in order for Tai Kam 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”, one of the requirements is that Tai Kam Construction must maintain its registration as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category, which in turn requires that, among other things, Tai Kam 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 Tai Kam Construction were both taken up by Mr. KS Lau.

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 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. In such event, the business and financial positions and prospects of our Group as well as our ability to maintain our licences and qualifications could be materially and adversely affected.

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

During the Track Record Period, suppliers of goods and services mainly included (i) our subcontractors; and (ii) suppliers of construction materials and consumables required for slope works such as steel bars, concrete, cement and diesel; and (iii) suppliers of other miscellaneous services such as transportation and rental of machinery, and testing and surveying on the quality of materials.

Our top five suppliers accounted for approximately 74.61% and 71.97% of our total purchases for each of FY2014/15 and FY2015/16 respectively. In particular, approximately 47.05% and 39.40% of our total purchases were attributable to our largest supplier for each of FY2014/15 and FY2015/16 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 materially and adversely affected.

RISK FACTORS

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

Depending on the availability of our own resources, we may subcontract our works to subcontractors. For each of FY2014/15 and FY2015/16, subcontracting charges incurred by us amounted to approximately HK\$39.85 million and HK\$45.23 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 our customers and us 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.

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

Under a typical contract undertaken by us, we do not receive any upfront payments or deposits from our customers prior to the commencement of work. However, there are costs which are typically incurred at an early stage of a project before we receive any payments from customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, insurance, materials and/or subcontracting services. In addition, throughout the execution of a contract, we typically receive payments for works that have been performed, for which we would have incurred costs (including costs of labours, materials and/or subcontracting services) that are also required to be paid from our available financial resources. Furthermore, some of the contracts undertaken by us may contain retention money clauses whereby our customers may hold up a certain percentage of each payment made to us as retention money, which also affect our liquidity position.

RISK FACTORS

In addition, Tai Kam Construction 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”, which is a prerequisite for tendering for public slope works contracts. 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 qualifications” 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 the amount of revenue derived from our projects on hand will not be substantially lower than the original contract sum as specified in the relevant contracts.

As at the Latest Practicable Date, we had a total of five projects on hand (i.e. projects that have commenced but not completed), with total amount of revenue expected to be recognised from such projects on hand amounting to approximately HK\$156.26 million for FY2016/17 and approximately HK\$131.26 million after FY2016/17. 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

There can be no assurance that our customers (in particular, non-Government customers) will settle our invoices on time and in full. In addition, 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 Government projects in general. Retention money withheld is generally released to us after the receipt of completion certificate and/or the expiry of the defect liability period. However, there is 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 2015 and 2016, we recorded trade receivables of approximately HK\$7.65 million and HK\$9.34 million respectively, of which nil and approximately HK\$2.19 million were past due but not impaired. As at 30 April 2015 and 2016, we recorded retention receivables of approximately HK\$2.84 million and HK\$4.10 million respectively. For each of FY2014/15 and FY2015/16, our trade receivables turnover days were approximately 29.19 days and 31.89 days respectively.

RISK FACTORS

We had concentration of credit risk as approximately 64.58% and 61.16% of our total trade and retention receivables as at 30 April 2015 and 2016 respectively were due from the CEDD, our largest customer during the Track Record Period. The aggregate amounts of trade and retention receivables amounted to approximately HK\$6.77 million and HK\$8.22 million from the CEDD as at 30 April 2015 and 2016 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

Tai Kam Construction has completed the registration as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category. For non-Government projects, a person is required to appoint a Registered Specialist Contractor to carry out specialised works (such as site formation works) pursuant to section 9 of the Buildings Ordinance. Therefore, non-Government customers may appoint Tai Kam 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 non-Government 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. There is no assurance that such incidents will not occur in the future. In such event, our reputation, business operations and financial position may be materially and adversely affected.

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

In order for Tai Kam 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”, it is a requirement that Tai Kam Construction must maintain its registration as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category (see the section headed “Business — Licences and qualifications” in this prospectus for further details).

The upcoming expiry date of Tai Kam Construction’s registration as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category is 28 March 2018. Renewal of the aforementioned registration 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

RISK FACTORS

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 registration every time in the future. In the event of non-renewal of such registration, the business and financial positions and prospects of our Group could be materially and adversely affected.

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 the terms of contract and required by law to cover certain aspects of our business operations. However, certain types of risks, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to maintain and renew our licences, our ability to retain and attract personnel, liquidity and working capital needs, supplier concentration, subcontractors' availability and performance, and credit risk in relation to the collectability of our trade and other 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 is any 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.

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

Our key business strategy is to undertake two additional Government slope works contracts by the end of FY2016/17, as discussed in the section headed "Business — Business strategy" in this prospectus, with the use of the proceeds from the Placing for satisfying certain costs and working capital requirement associated with undertaking such additional contracts. However, our business strategy may be hindered by risks including 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 strategy could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

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 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 arising out of our operations. Please refer to the section headed "Business — Litigation and claims" in this prospectus for further information.

There is no assurance that we will not be involved in any claims or legal proceedings, nor can we assure you that any such claims or legal proceedings would not have a material adverse impact on our business. 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 could affect our corporate image and reputation if they were published by the press. If the aforesaid claims were successfully made against our Group, we may need to pay damages and legal costs, which in turn could adversely affect our revenue, results of operations and financial position.

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.

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

It is a standard special condition contained in the works contracts between the Government and a contractor that the Government is entitled to terminate a works 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 of the relevant works contract. 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.

RISK FACTORS

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

The Government's budget and funding for slope works projects may be adversely affected by lawmakers' filibustering in the Legislative Council

The majority of our Group's revenue during the Track Record Period was derived from Government projects. However, in recent years, filibustering by Hong Kong lawmakers has in certain cases led to the failure of or delay in the funding approval for certain Government projects by the committees of the Legislative Council. Therefore, there is a risk that the Government's budget and funding for slope works projects (and/or for infrastructure or other public projects that involve or require slope works) may be delayed, reduced or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In addition, there is also a risk that after being awarded with a Government slope works contract, the commencement date and the scope of works may be delayed, reduced, or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In such cases, our business and financial position and prospect could be materially and adversely affected.

Rising construction costs, including the costs of construction workers and construction materials, may increase our costs of operation

The Hong Kong construction industry has in general been facing the problem of labour shortage and aging workforce. According to the Construction Industry Council, about 43.2% of the 378,840 registered workers aged over 50 as of March 2016. The decline in the number of workers in Hong Kong, especially workers with skills and experience for slope works, may result in project delays and increasing operating costs. According to the Ipsos Report, the estimated average daily wage of LPM workers in Hong Kong has increased from approximately HK\$910.7 in 2011 to approximately HK\$1,459.8 in 2015, representing a CAGR of approximately 12.5%, mainly due to labour shortage which was caused by a decreasing number of new workers as well as an aging workforce.

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, the average wholesale price of Portland cement (being the common type of cement used in Hong Kong) increased from approximately HK\$663 per tonne in 2011 to approximately HK\$739 per tonne in 2015,

RISK FACTORS

representing a CAGR of approximately 2.8%. The increases in certain key construction material prices are affected by, among other factors, the strong construction demand in Hong Kong, Macau and the mainland China.

Where subcontractors are engaged, the fees charged by our subcontractors may be determined based on 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 condition.

Subcontracting charges are the most significant component of our direct costs. The sensitivity analysis as disclosed in the section headed “Financial information — Direct costs” illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period.

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 registration with the Buildings Department as a Registered Specialist Contractor. A fatal accident that took place in December 2007 resulted in a temporary suspension of Tai Kam Construction from tendering for public works contracts under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls” for eight months, details of which are disclosed in the section headed “Business — Licences and qualifications — Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009” in this prospectus.

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.

RISK FACTORS

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

Industrial action launched by construction workers may disrupt the operations of our Group and/or 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 labour costs and/or 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 waste disposal, air pollution and noise control. Such regulations may be revised by the Government from time to time. For each of FY2014/15 and FY2015/16, we incurred approximately HK\$140,000 and HK\$193,000 respectively in direct relation to the compliance with applicable environmental requirements which mainly consisted of waste disposal charges. 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 may in turn materially and adversely affect our Group's financial condition, profitability and liquidity.

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 category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls" for Government slope works 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. Any increase in competition may result in an adverse impact on our business and financial positions and prospects.

RISK FACTORS

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 are 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. 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 People's Republic of China 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. Since our operations are solely located in Hong Kong, any change of such political arrangements or major change to the social landscape may pose an immediate threat to the stability of the economy of Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

RISKS RELATING TO THE PLACING

Our financial results for FY2016/17 will be affected by the expenses incurred in relation to the Listing

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$20.44 million. Out of the amount of approximately HK\$20.44 million, approximately HK\$6.29 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\$14.15 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$14.15 million that shall be charged to profit or loss, nil and approximately HK\$1.94 million has been charged for each of FY2014/15 and FY2015/16 respectively, and approximately HK\$12.20 million is expected to be incurred for FY2016/17. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2016/17 will be affected by the expenses in relation to the Listing.

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, business strategies implemented by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or claims, fluctuations in the market prices for the services provided or supplies required by

RISK FACTORS

our Group, and 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.

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

Our Company may issue additional Shares upon exercise of any options that may 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, and 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 our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

The Joint Lead Managers are entitled to terminate the Underwriting Agreement

Prospective investors should note that the Joint Lead Managers (for themselves and on behalf of other Underwriters) are entitled to terminate their 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 Agreement 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 events 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.

RISK FACTORS

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 was incorporated in the Cayman Islands and its affairs are governed by, among other things, 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 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 events will not occur in the future.

Granting options under the Share Option Scheme may affect our Group's results of operations 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 had 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 paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

There can be no assurance that we will declare or distribute any dividend in the future

Subject to the Companies Law and the Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to the Articles of Association, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The decision to pay dividends will be reviewed in light of the factors such as the results of operations, financial conditions and position, and other factors deemed relevant. Any distributable profits that are

RISK FACTORS

not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

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 departments or independent third parties. In addition, certain information and statistics set forth in that section and elsewhere in this prospectus have been extracted from the Ipsos Report, which was 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.

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 statements

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 Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, or 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

RISK FACTORS

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (1) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Printed copies of this prospectus are available, for information purpose only, during normal office hours from 9:30 a.m. to 6:00 p.m. at the office of Dakin Capital Limited at Room 2701, 27th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong during the Business Days from Thursday, 20 October 2016 to Tuesday, 25 October 2016 (both dates inclusive).

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his acquisition of the Placing Shares to, confirm that that he is aware of the restrictions on placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken to permit a placing or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction other than Hong Kong or, in any circumstances in which such offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the 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. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed “Structure and conditions of the Placing” in this prospectus.

APPLICATION FOR LISTING OF SHARES ON GEM

We have 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 Capitalisation Issue and the Placing as mentioned herein.

Save as disclosed in this prospectus, no part of our Shares or loan capital is listed, traded on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus.

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 Listing Division, 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 our total issued share capital in the hands of the public (as defined in the GEM Listing Rules). Accordingly, a total of 200,000,000 Placing Shares representing 25% of our enlarged issued share capital immediately completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) will be made available under the Placing.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 28 October 2016. Shares will be traded in board lots of 10,000 Shares and are freely transferable.

No temporary documents of title or evidence will be issued.

PLACING SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 any other date as determined by HKSCC. Settlement of transactions between

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding, disposal of or dealing in the Shares or exercising rights attached to them. We, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Placing Shares or exercising any rights in relation to the Placing Shares.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

Our principal share registrar will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and our branch share registrar will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited.

The Shares are freely transferable. Only securities registered on the branch share registrar kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Placing Shares will be registered on the branch share registrar in Hong Kong. Dealings in the Shares registered on our branch share registrar will be subject to stamp duty in Hong Kong.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purposes of this prospectus and for the purposes of illustration only, certain amounts denominated in US dollar have been translated into Hong Kong dollar at the exchange rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in US dollar were or could have been converted at such rate or at any other rates or at all.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. LAU King Shun (劉景順)	Flat A, 32/F, Block 4 Locwood Court 1 Tin Wu Road Kingswood Villas Tin Shui Wai, New Territories Hong Kong	Chinese
Mr. LAU Kan Sui Sanny (劉根水)	Flat B, 19/F, Block 9 Locwood Court 1 Tin Wu Road Kingswood Villas Tin Shui Wai, New Territories Hong Kong	Chinese
Mr. LAU Mei Chai (劉美齊)	Flat B, 5/F, Block 9 Locwood Court 1 Tin Wu Road Kingswood Villas Tin Shui Wai, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. WONG Yuk King (黃玉琮)	Room 8, 15/F, Block A Mei Sun Lau 442 Des Voeux Road West Hong Kong	Chinese
Mr. YIM Kin Ping (嚴建平)	Flat H, 25/F, Tower 4 8 Tsing Yung Street Tsing Yung Terrace Tuen Mun, New Territories Hong Kong	Chinese
Mr. HO Cheuk Wai (何焯偉)	Flat F, 8th Floor, Tower 10 Laguna Verde Hung Hom, Kowloon Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED

Sponsor

Dakin Capital Limited

A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity under the SFO

Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Joint Bookrunners and Joint Lead Managers

Dakin Securities Limited

Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Astrum Capital Management Limited

Room 2704, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Co-lead Managers

Guoyuan Capital (Hong Kong) Limited

22/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Sorrento Securities Limited

11/F, The Wellington
198 Wellington Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to our Company

As to Hong Kong law

Guantao & Chow

Solicitors & Notaries

Suites 1604-6, 16/F

ICBC Tower

3 Garden Road

Central

Hong Kong

As to Cayman Islands law

Appleby

Cayman Islands attorneys-at-law

2206-19 Jardine House

1 Connaught Place

Central

Hong Kong

**Legal advisers to the Sponsor and
the Underwriters**

As to Hong Kong law

ONC Lawyers

Solicitors, Hong Kong

19th Floor, Three Exchange Square

8 Connaught Place

Central

Hong Kong

Auditors and reporting accountants

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Compliance adviser

Dakin Capital Limited

*A licensed corporation under the SFO to engage in type
6 (advising on corporate finance) regulated activity
under the SFO*

Room 2701, 27th Floor, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

CORPORATE INFORMATION

Registered office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1503, 15/F Win Century Centre 2A Mong Kok Road Mong Kok, Kowloon Hong Kong
Company's website address	www.taikamholdings.com <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	HO Man Wai <i>Certified Public Accountant</i> Flat D, 4/F True Light Building 100 Third Street Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	LAU King Shun Flat A, 32/F, Block 4 Locwood Court 1 Tin Wu Road Kingswood Villas Tin Shui Wai, New Territories Hong Kong HO Man Wai <i>Certified Public Accountant</i> Flat D, 4/F True Light Building 100 Third Street Hong Kong
Compliance officer	LAU King Shun Flat A, 32/F, Block 4 Locwood Court 1 Tin Wu Road Kingswood Villas Tin Shui Wai, New Territories Hong Kong

CORPORATE INFORMATION

Audit Committee	HO Cheuk Wai (<i>Chairman</i>) WONG Yuk King YIM Kin Ping
Remuneration Committee	YIM Kin Ping (<i>Chairman</i>) HO Cheuk Wai LAU Kan Sui, Sanny
Nomination Committee	LAU King Shun (<i>Chairman</i>) HO Cheuk Wai WONG Yuk King
Principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point, Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

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. We have no reason to believe that such information or statistics is false or misleading in any material respect or 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, any of 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.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the slope works industry in Hong Kong. A total fee of HK\$388,000 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 shares 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) client consultations; (ii) primary research, including interviews with key stakeholders and industry experts including slope works service providers and industry experts and associations in Hong Kong, etc; and (iii) secondary research, including desktop research for quantitative and qualitative industry review.

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.

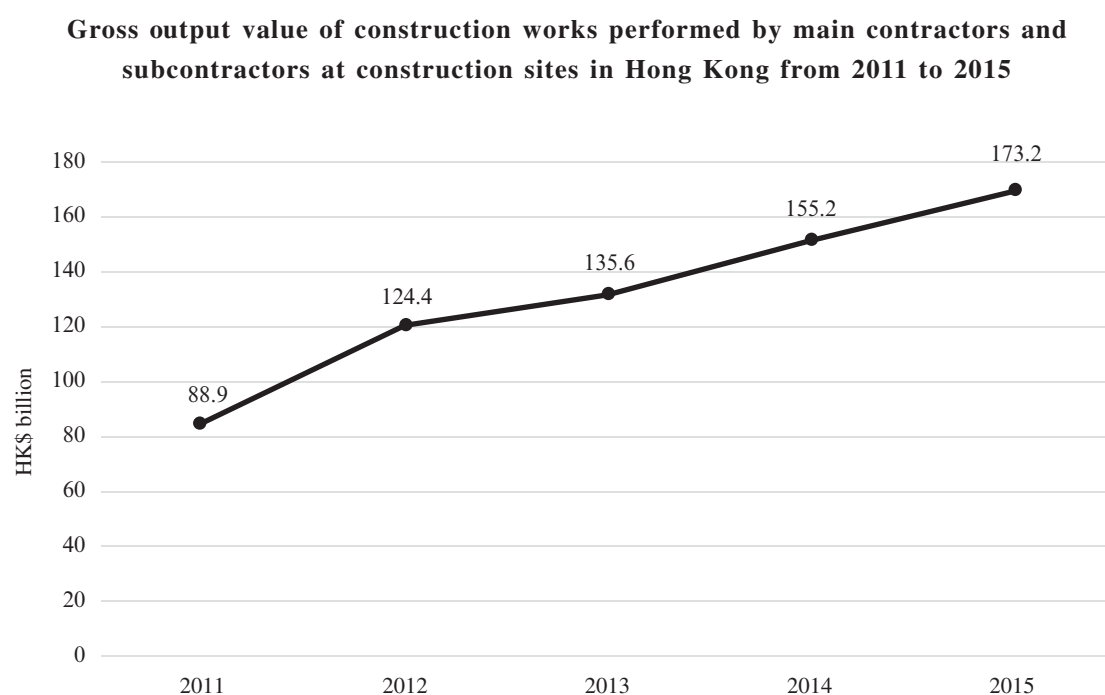
All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including the Government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

INDUSTRY OVERVIEW

Ipsos developed its estimates and forecasts on the following principal 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 shocks, such as financial crisis or natural disasters that will influence the demand and supply of the landslip preventive measure works industry in Hong Kong during the forecast period.

HONG KONG CONSTRUCTION INDUSTRY OVERVIEW

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased from approximately HK\$88.9 billion in 2011 to approximately HK\$173.2 billion in 2015, representing a CAGR of approximately 18.1%.



Source: The Ipsos Report

Construction projects in Hong Kong can be generally categorised into Government projects and non-Government projects. Government projects refer to works contracts of which the project employer is a Government department or a Government authority, while non-Government projects refer to works contracts that are not Government projects. The total gross output value of both Government and non-Government projects performed by main contractors in Hong Kong increased significantly from 2011 to 2015, which was mainly due to the continuous investment by the Government on certain large-scale public infrastructure projects such as railway network expansion and the public housing development program to increase local public housing supply, as well as Government's continuous support regarding commercial land development and private residential property development.

INDUSTRY OVERVIEW

SLOPE WORKS INDUSTRY OVERVIEW

Landslip Prevention and Mitigation Programme

During the 1960s and early 1970s, a large stock of potentially substandard man-made slopes was 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 serious injuries.

According to the 2015 Annual Report on Government Slope Safety Works published by the Geotechnical Engineering Office of the CEDD, there were 161 landslides reported in Hong Kong in 2015, resulting in facilities affected including roads, pedestrian pavements, footpaths, buildings, catchwaters, carparks and playgrounds. On average, about 300 landslides incidents are reported in Hong Kong every year since 1977.

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. 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.

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 in Hong Kong. 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 slope 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 made 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

INDUSTRY OVERVIEW

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 minimise the risk of landslips in Hong Kong to ensure public safety.

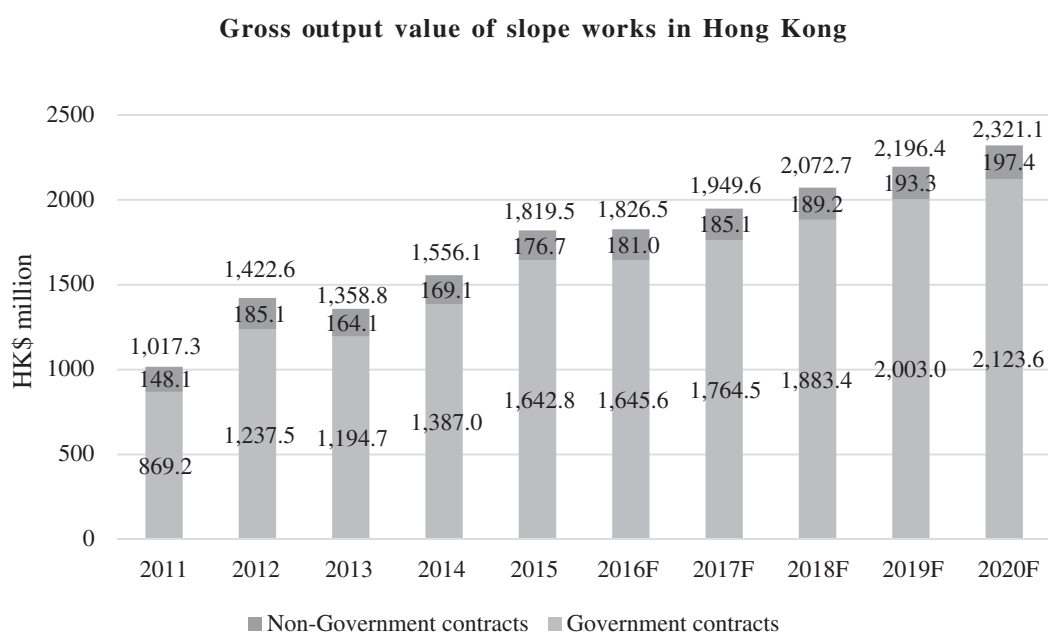
According to the information available on the CEDD's website, the Geotechnical Engineering Office lets an average of about 13 works contracts on LPM each year (with multiple slopes or sites under each works contract). Since 1977, it has spent about HK\$19.6 billion (up to 30 September 2015) on LPM studies and works, with about 5,400 Government man-made slopes upgraded, about 5,700 studies of private man-made slopes completed, and mitigation measures for about 142 natural hillside catchments implemented.

There are currently about 60,000 sizable man-made slopes in Hong Kong according to the 2015 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 is natural hillsides and the Geotechnical Engineering Office has identified 2,800 or so natural hillsides with known hazards.

In each year from 2011 to 2015, there were 173, 153, 153, 154 and 155 Government man-made slopes upgraded under the Landslip Prevention and Mitigation Programme, whereas landslide risk mitigation works for 16, 28, 30, 33 and 33 natural hillside catchments were implemented, respectively. There is no information available on the CEDD's website regarding the annual forecast number of Government man-made slopes to be upgraded and annual forecast number of natural hillside catchments for which landslide risk mitigation works are to be implemented under the Landslip Prevention and Mitigation Programme in the coming years. Nevertheless, the CEDD's website states that the target annual outputs of the Landslip Prevention and Mitigation Programme are, among other things, to upgrade 150 Government man-made slopes and to implement landslide risk mitigation works for 30 natural hillside catchments.

INDUSTRY OVERVIEW

Gross output value of slope works



Note: “F” denotes values forecasted by Ipsos.

Source: The Ipsos Report

According to the Ipsos Report, the gross output value of slope works in Hong Kong grew from approximately HK\$1,017.3 million in 2011 to approximately HK\$1,819.5 million in 2015, representing a CAGR of approximately 15.6%, and is projected to increase from approximately HK\$1,826.5 million in 2016 to approximately HK\$2,321.1 million in 2020, representing a CAGR of approximately 6.2%. The Ipsos Report states that the forecasted increase in gross output value of slope works in Hong Kong from 2016 to 2020 is expected to be mainly driven by the Government’s continued commitment to slope safety and the stable public spending on slope upgrade, maintenance and repair work.

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 overview — 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

INDUSTRY OVERVIEW

that as the landslide risk remains high in Hong Kong, public expenditure on the Landslip Prevention and Mitigation Programme is expected to remain stable at a level of approximately HK\$1 billion per year in the near future, which is similar to the average annual expenditure on the implementation of the Landslip Prevention and Mitigation Programme in the previous four years.

2. Demand for slope stabilisation 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 “Long Term Housing Strategy” promulgated by the Government in December 2014, a housing supply target of 480,000 units for a ten-year period from 2015 to 2025 was adopted. 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 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

Our competitors

The majority of our revenue during the Track Record Period was derived from undertaking Government slope works contracts. To tender for Government slope 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”. 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 38 such approved specialist contractors, among which 16 were on probation and 22 had a confirmed status (including Tai Kam Construction, our principal operating subsidiary). We compete directly with these contractors for Government slope works contracts.

INDUSTRY OVERVIEW

Top six slope works contractors in Hong Kong in 2015

According to the Ipsos Report, the top six slope works contractors (in terms of market share in the slope works industry in Hong Kong in 2015 for both Government and non-Government slope works) and their respective backgrounds are as follows:

Ranking	Contractor	Approximate market share <i>(Note)</i>
1	A contractor based in Hong Kong which mainly undertakes slope upgrading works, retaining wall construction and drainage works, etc.	21.5%
2	A contractor headquartered in the People's Republic of China which mainly undertakes water supply and drainage works, road and bridge works, slope works, ground and foundation works, etc.	10.3%
3	A contractor based in Hong Kong which mainly undertakes building works, waterworks, site formation works, road works and drainage and slope upgrading works, and which is a subsidiary of a company listed on GEM	9.1%
4	A contractor based in Hong Kong which mainly undertakes slope works, foundation works and other general building works, and which is a subsidiary of a company listed on GEM	8.9%
5	A contractor based in Hong Kong which mainly undertakes civil engineering works, electrical and mechanical engineering works, foundation and building construction works, etc., and which is a subsidiary of a company listed on the Main Board of the Stock Exchange	7.8%
6	Tai Kam Construction, our principal operating subsidiary	<u>5.3%</u>
		<u>62.9%</u>

Note: While the financial year-end date of our Group is 30 April, some of the above slope works contractors have different financial year-end dates. The market share as stated above is therefore based on the research and analysis of Ipsos.

Our Group's market share

According to the Ipsos Report, the top six slope works contractors in Hong Kong together accounted for approximately 62.9% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government slope works). Tai Kam Construction, our principal operating subsidiary, was the sixth largest slope works contractor in Hong Kong in 2015, with approximately 5.3% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government slope works). Our Directors believe that we compete favourably with our competitors given our various competitive strengths as detailed in the section headed "Business — Competitive strengths" in this prospectus.

INDUSTRY OVERVIEW

According to the latest information available on the website of the CEDD, as at 3 October 2016, there were 25 active works contracts under the Landslip Prevention and Mitigation Programme with total contract sum of approximately HK\$2,309.39 million. Among such 25 active contracts as at 3 October 2016, four contracts with total contract sum of approximately HK\$315.66 million were awarded to Tai Kam Construction, giving us a market share of approximately 13.67% in terms of contract sum among such active CEDD slope works contracts.

Entry barriers of the slope works industry in Hong Kong

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

Tai Kam 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 Government slope works contracts. 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 qualifications” in this prospectus. Potential new entrants who are unable to meet such criteria will not be able to compete for Government slope works contracts.

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 there are 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 Government and non-Government sectors (applicable to contractors who have both employed capital and working capital of not less than HK\$4.20 million respectively as stated in the Contractor Management Handbook — Revision B published by the Development Bureau of the Government). Please refer to the section headed “Business — Licences and qualifications” in this prospectus for further details. Such substantial financial requirements present barriers for contractors to become eligible to tender for Government slope works contracts.

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 project management capability of the contractor to carry out slope works. The lack of capable and

INDUSTRY OVERVIEW

experienced in-house personnel with slope works project management experience will be barrier for new entrants to winning slope works contracts. In particular, 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) are one of the assessment criteria for Government project tendering. According to the Ipsos Report, new entrants lacking slope works experience will have lower ratings, putting forth barrier to win tenders for Government projects in the first place.

POTENTIAL CHALLENGES

According to the Ipsos Report, the slope works industry in Hong Kong is facing the following potential challenges:

1. *Labour shortage*

The Hong Kong construction industry in general has been facing the problem of labour shortage and aging workforce. According to the Construction Industry Council, about 43.2% of the 378,840 registered workers aged over 50 as of March 2016. According to the Ipsos Report, the problem has become serious with the increasing demand for construction workers from the People's Republic of China and Macau since the commencement of large-scale construction projects in these places offering higher salaries. The decline in the number of workers in Hong Kong especially workers with skills and experience for slope works, may result in project delays and increasing operating costs.

2. *Increasing operating costs*

Akin to the overall construction industry, the slope works industry in Hong Kong has been facing the problem of increasing operating costs. The increase in operating costs is mainly attributed to the wage trend of construction workers as well as the prices of certain construction materials. Please refer to the paragraph headed "Price trend of major cost components" below for further information.

3. *Lawmakers' filibustering in the Legislative Council*

In recent years, filibustering by Hong Kong lawmakers has in certain cases led to the failure of or delay in the funding approval for certain Government projects by the committees of the Legislative Council. Therefore, there is a risk that the Government's budget and funding for slope works projects (and/or for infrastructure or other public projects that involve or require slope works) may be delayed, reduced or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In addition, there is also a risk that after being awarded with a Government slope works contract, the commencement date and the scope of works may be delayed, reduced, or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council.

INDUSTRY OVERVIEW

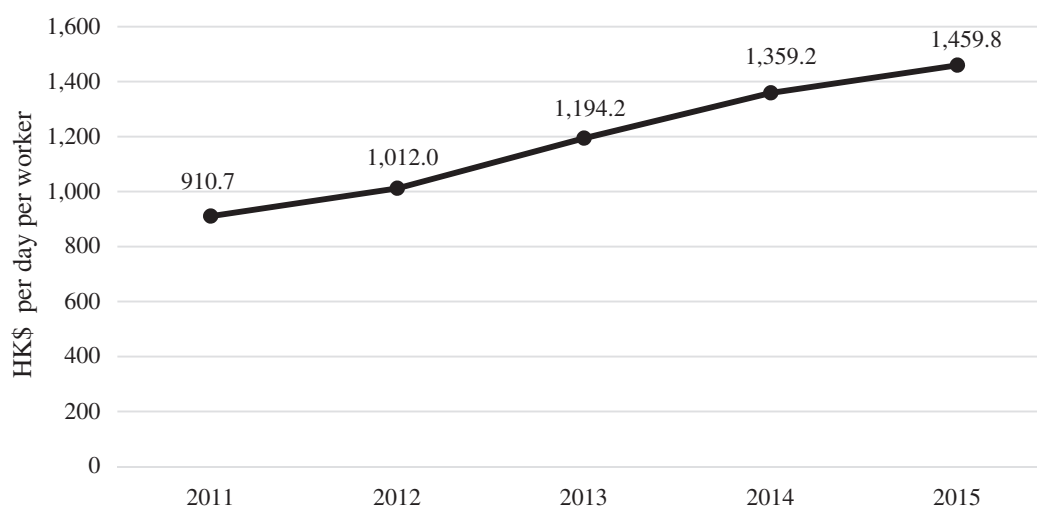
PRICE TREND OF MAJOR COST COMPONENTS

The major cost components of our Group's operation include, among others, subcontracting charges (which, in the opinion of our Directors, is mainly affected by the operating costs of our subcontractors including labour cost of construction site workers), direct labour cost, and cost of construction materials such as steel and cement.

Average wage of LPM workers in Hong Kong

The estimated average daily wage of LPM workers in Hong Kong has increased from approximately HK\$910.7 in 2011 to approximately HK\$1,459.8 in 2015, representing a CAGR of approximately 12.5%:

Estimated average daily wage of LPM workers in Hong Kong from 2011 to 2015



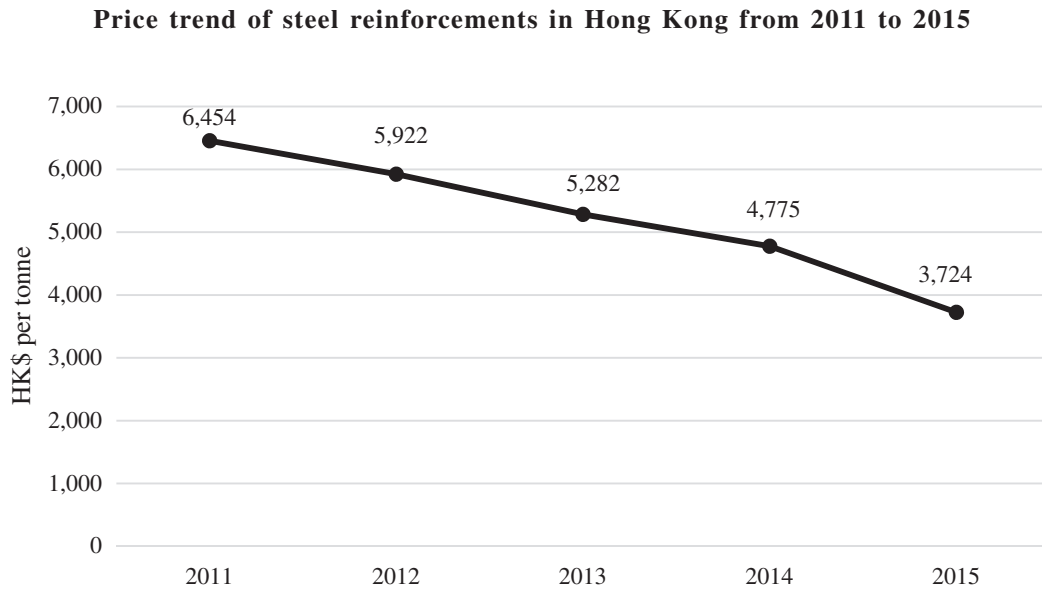
Source: *The Ipsos Report*

According to the Ipsos Report, the increase in wages was partly due to labour shortage. This was caused by a decreasing number of new workers as well as an aging workforce. The increase in wages should attract more young workers to join the workforce. However, it only had a limited effect because of a lack of career prospects. The problem of labour shortage in the slope works industry is exacerbated by an aging workforce, as old and skilled workers approach retirement and leave the industry. For these reasons, it is expected that the average daily wage of workers in the slope works industry in Hong Kong will continue to rise in the coming years.

INDUSTRY OVERVIEW

Average wholesale price of steel reinforcements in Hong Kong

According to the Ipsos Report, the average wholesale price of steel reinforcements decreased from approximately HK\$6,454 per tonne in 2011 to approximately HK\$3,724 per tonne in 2015, representing a CAGR of approximately -12.8%:



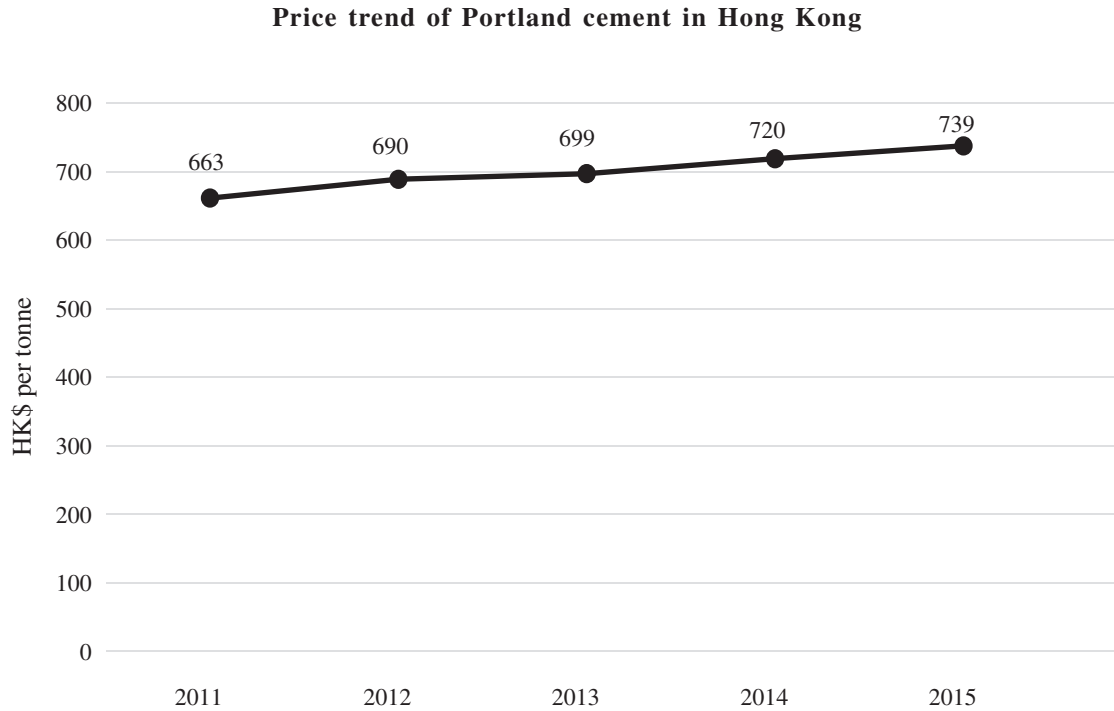
Source: The Ipsos Report

According to the Ipsos Report, the drop in price was mainly caused by the deteriorating European economy, which brought difficulty in financing and hence decreased the downstream industries' demand for steel, coupled with the global drop in demand for new construction work and the oversupply of steel.

INDUSTRY OVERVIEW

Average wholesale price of Portland cement in Hong Kong

The average wholesale price of Portland cement (being the common type of cement used in Hong Kong) increased from approximately HK\$663 per tonne in 2011 to approximately HK\$739 per tonne in 2015, representing a CAGR of approximately 2.8%:



Source: *The Ipsos Report*

According to the Ipsos Report, the average wholesale price of Portland cement in Hong Kong increased steadily in the past few years mainly due to the robust demand arising from construction works in Hong Kong. With upcoming and ongoing residential and commercial buildings as well as public infrastructure projects which will increase the demand for Portland cement, the average wholesale price of Portland cement is expected to further increase in the coming years.

REGULATORY OVERVIEW

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

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (the “**Construction Workers Registration Ordinance**”)

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

During the Track Record Period and as at the Latest Practicable Date, we employed construction workers for undertaking slope works who are subject to the registration requirement under the Construction Workers Registration Ordinance.

Under the Construction Workers Registration Ordinance, “construction work” means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course; and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

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, which is defined to include any construction work. Our business activities of undertaking slope works are therefore subject to the Factories and Industrial Undertakings Ordinance.

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

REGULATORY OVERVIEW

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 constitutes 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.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed “Business — Occupational health and safety” in this prospectus.

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;

REGULATORY OVERVIEW

- 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.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed “Business — Occupational health and safety” in this prospectus.

Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) (the “**Boilers and Pressure Vessel Ordinance**”)

The Boilers and Pressure Vessels Ordinance controls the use and operation of boilers and pressure vessels, including air receivers, to provide for the holding of inquiries into accidents in or to boilers and pressure vessels and to provide for matters connected with the purposes aforesaid.

The Boilers and Pressure Vessels Ordinance provides that no boiler or pressure vessel, other than a pressurised fuel container, shall be used or operated unless the boiler or pressure vessel and its auxiliary equipment has been duly examined and a certificate of fitness has been issued in respect thereof after that examination. The owner of the boiler or pressure vessel who contravenes the said provisions shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$30,000.

Air compressors owned by our Group (see the section headed “Business — Machinery and motor vehicles” in this prospectus) have been examined by appointed examiners to assess their suitability to exempt from registration in accordance with the requirements of the Boilers and Pressure Vessel Ordinance, and have been confirmed as not being classified as air receivers and can be exempted from registration in accordance with the requirements of the Boilers and Pressure Vessels Ordinance.

REGULATORY OVERVIEW

Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) (the “**Electricity Ordinance**”)

The Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong) made under the Electricity Ordinance regulates the works in vicinity of electricity supply line and sets out requirements to prevent electrical accidents and power interruption arising from such works.

Slope works conducted by our Group may involve underground work which may be carried out in the vicinity of underground electricity cables, which shall be regulated under the Electricity Supply Lines (Protection) Regulation.

The Electricity Supply Lines (Protection) Regulation provides that a person shall not carry out or cause or permit another to carry out any works in the vicinity of an underground electricity cable unless before the works are begun, all reasonable steps have been taken to ascertain the existence within the proposed works site and its vicinity of any such underground electricity cable and its alignment and depth. A competent person should be engaged to undertake an investigation for the purpose of ascertaining the existence within the proposed works site and its vicinity of any such underground electricity cable and its alignment and depth and provide a written report of his findings as to those matters. A person who contravenes the aforesaid requirements shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for six months.

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

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 death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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.

REGULATORY OVERVIEW

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 (i) upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and (ii) on a summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

For our insurance coverage in this connection, please refer to the section headed "Business — Insurance — Employees' compensation insurance" in this prospectus. For the information of employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business — Litigation and claims" in this prospectus.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

For information regarding the potential common law claims for personal injuries which were within the respective three-year periods and which might be brought against our Group as of the Latest Practicable Date, please refer to the section headed "Business — Litigation and claims" in this prospectus.

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

A main contractor is subject to the provisions on subcontractor'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 subcontractor 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).

REGULATORY OVERVIEW

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor 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 subcontractor to that subcontractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a main contractor or superior subcontractor 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 subcontractor, as the case may be. The main contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the main contractor and every other such superior subcontractor, 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 subcontractor in respect of the work that he has subcontracted.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Employers are required to enroll their regular employees (except for certain exempt persons) who are at least 18 but under 65 years of age and employed for 60 days or more in a mandatory provident fund (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

Employees who are engaged in the construction industry and employed by an employer on a day-to-day basis or for a fixed period of less than 60 days are deemed casual employees. With effect from 1 June 2012, the maximum level of relevant income for casual employees was also adjusted from HK\$650 to HK\$830 daily. With effect from 1 June 2014, the maximum level of relevant income for casual employees was further adjusted from HK\$830 to HK\$1,000 daily.

REGULATORY OVERVIEW

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 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.

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.

Please refer to the section headed “Business — Employees — Measures to prevent employing illegal workers” in this prospectus for measures implemented by our Group for compliance with the aforesaid requirements under the Immigration Ordinance.

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\$32.50 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.

Our Directors confirmed that none of our employees were paid at or lower than the current statutory minimum wage of HK\$32.50 per hour during the Track Record Period and up to the Latest Practicable Date.

REGULATORY OVERVIEW

ENVIRONMENTAL PROTECTION

We are subject to the following laws and regulations in connection with environmental protection as our business activities of undertaking slope works involve the operation of machineries and disposal of wastes. For information regarding our environmental management system, please refer to the section headed “Business — Environmental compliance” in this prospectus.

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 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.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong) (the “**Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation**”)

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation regulates the emissions of non-road mobile machinery (the “**NRMMs**”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. All regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites.

REGULATORY OVERVIEW

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to a technical circular issued by the Works Branch of the Development Bureau on 8 February 2015 (the "**Technical Circular**"), an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the "**Implementation Plan**"), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015.

As at the Latest Practicable Date, each of our Group's regulated machines (mainly including air compressors) was exempted with a proper label in a prescribed format issued under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Our Directors confirm that none of the public projects which we participated in as at the Latest Practicable Date are subject to the Implementation Plan.

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. air compressors, which 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.

As at the Latest Practicable Date, each of the air compressors owned by our Group complied with the noise emissions standards and was issued with noise emission labels by the Noise Control Authority.

REGULATORY OVERVIEW

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 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.

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, unauthorised disposal of waste constitutes an offence and an offender is liable to (i) a fine of HK\$200,000 and to imprisonment for 6 months for the first offence; (ii) 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.

Tai Kam Construction has registered as chemical waste producer under the Waste Disposal (Chemical Waste) (General) Regulation as required and complied with the aforesaid requirements under the Waste Disposal Ordinance.

CONTRACTOR LICENSING REGIME AND OPERATION

Tai Kam Construction 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

REGULATORY OVERVIEW

confirmed status, as well as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category. Being on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” is a prerequisite for tendering for Government slope works contracts, while maintaining the registration as a Registered Specialist Contractor (Site Formation Works) is one of the criteria for retention on the aforesaid list.

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”

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. The scope of work under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” 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.

Approved specialist contractors under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” (such as Tai Kam Construction) can have either 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.

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.

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 in respect of the “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category with a confirmed status are summarised in the section headed “Business — Licences and qualifications”.

Retention on the List of Approved Specialist Contractors for Public Works is not subject to regular renewal. However, 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, as further discussed in the paragraph headed “Regulatory actions against contractors by the Development Bureau” below.

REGULATORY OVERVIEW

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors in circumstances including failure to submit accounts or meet the financial criteria within prescribed time, unsatisfactory performance, failure to submit a valid competitive tender for a period of three years, failure to answer queries or provide information relevant to the listing status of a contractor on the List of Approved Specialist Contractors for Public Works within the prescribed time, misconduct or suspected misconduct, winding-up, bankruptcy or other financial problems, poor site safety record, failure or refusal to implement an accepted tender, poor environmental performance and court convictions, such as contravention of site safety legislation and the Employment Ordinance and employment of illegal workers. 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.

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. Any contractor 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, shall be compulsorily and automatically suspended from tendering for public works for six months.

Our Directors confirmed that our Group had not been subject to any regulatory actions taken by the Development Bureau during the Track Record Period and up to the Latest Practicable Date.

Registration as a Registered Specialist Contractor (Site Formation Works) pursuant to the Buildings Ordinance

Pursuant to the Buildings Ordinance, the Building Authority keeps, among others, a register of specialist contractors who are qualified to carry out specialised works (such as site formation works) specified in the category in the sub-register in which they are entered.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a 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) his/her ability to have access to plants and resources; and

REGULATORY OVERVIEW

- (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.

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; 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.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff members to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works. For registration as a Registered Specialist Contractor, the applicant must satisfy the Buildings Department that its key personnel has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has access to engaging qualified persons to carry out the relevant specialised duties.

Renewal of the registration as a Registered Specialist Contractor (Site Formation Works) 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

REGULATORY OVERVIEW

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.

Mr. KS Lau is appointed as the authorised signatory and the technical director to act for the purpose of the Buildings Ordinance for Tai Kam Construction. For further information in this connection, please refer to the section headed “Business — Licences and qualifications — Licences and qualifications obtained — 2. Registered Specialist Contractor (Site Formation Works)” in this prospectus.

Regulatory actions under the Buildings Ordinance

Under sections 7, 13 and 40 of the Buildings Ordinance, a Registered Specialist Contractor will be subject to prosecution or disciplinary action where an offence is committed or when matters justifying the taking of disciplinary action arise, as discussed in the following paragraphs.

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 a 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 a Registered Specialist Contractor) be fined.

Prosecution

In addition to disciplinary proceedings, a Registered Specialist Contractor will, pursuant to section 40 of the Buildings Ordinance, 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, a Registered Specialist Contractor directly concerned with any prescribed inspection or building works or street works shall not:

- (a) permit or authorise 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,

REGULATORY OVERVIEW

erected, constructed, placed or fixed in the manner required for such materials under the Buildings Ordinance;

- (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 offenders 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 three 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 Specialist Contractor who fails to notify the Building Authority of any contravention of the regulations which would result from the carrying out of any work shown in any plan approved by the Building Authority, contravenes sections 9(5)(b), 9(6)(b) or 4(3)(b) of the Buildings Ordinance and 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(2E) 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.

Under section 40(2D) of the Buildings Ordinance, 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 three years.

During the Track Record Period and up to the Latest Practicable Date, neither our Group nor any of our Directors had been subject to any regulatory actions, disciplinary proceedings or prosecutions under the Buildings Ordinance.

REGULATORY OVERVIEW

Contractors' Performance Index System

For information regarding the Contractors' Performance Index System and the performance ratings of Tai Kam Construction under the Contractors' Performance Index System during the Track Record Period, please refer to the section headed "Business — Competitive strengths — 1. High performance ratings of Tai Kam Construction under the Contractors' Performance Index System administered by the Development Bureau of the Government" in this prospectus.

Compliance with the relevant requirements

As confirmed by our Directors and as advised by our Legal Counsel, our Group had 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.

PROPOSED LEGISLATION ON SECURITY OF PAYMENT FOR THE CONSTRUCTION INDUSTRY

Security of Payment Legislation for the Construction Industry (the "SOPL")

The Government has consulted the public on the proposed introduction of SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

Based on the consultation document of SOPL, when it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a "new building" (as defined by the Buildings Ordinance) which has an original value in excess of HK\$5 million will be caught in private sector. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

Based on the consultation document of SOPL, the SOPL will include the following key obligations, rights and limits:

- The SOPL will prohibit "pay when paid" and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- The SOPL will enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process).

REGULATORY OVERVIEW

- The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate of progress of work until payment is made.

Possible impact on our Group

For each of FY2014/15 and FY2015/16, approximately 96.38% and 95.46% of our Group's revenue, respectively, was derived from Government projects. When the SOPL comes into force, it will apply to all Government projects undertaken by us as well as all related subcontracts in the contractual chain.

During the Track Record Period and up to the Latest Practicable Date, all payment periods in respect of payments made by our Group to our subcontractors did not exceed 60 calendar days for interim payments or 120 calendar days for final payments. Therefore, our Directors are of the view that the implementation of the SOPL will not have any significant impact on our business or cash flow management.

HISTORY AND DEVELOPMENT

OVERVIEW

The history of our Group can be traced back to 2002 when our founders, Mr. KS Lau and Mr. Sanny Lau, incorporated Ease Geotechnical in Hong Kong to undertake construction works. In 2005, by way of a creditors' scheme of arrangement sanctioned by court under section 166 of the Predecessor Companies Ordinance, Ease Geotechnical acquired the entire interests of Tai Kam Construction (which was then in financial difficulty) from all the shareholders of Tai Kam Construction at that time, all of whom, save as being the former shareholders and/or directors of Tai Kam Construction, are independent third parties. Since then, Tai Kam Construction has become our principal operating subsidiary.

During the Track Record Period and up to the Latest Practicable Date, the principal business of Tai Kam Construction had been undertaking slope works in Hong Kong as main contractor. Over the past 10 years of development, we have completed numerous slope works contracts, and have established our presence in the slope works industry and received a number of awards and recognitions (details of which are set out in the section headed "Business" in this prospectus).

For details of the background and relevant experience of our founders, Mr. KS Lau and Mr. Sanny Lau, please refer to the section headed "Directors and senior management" in this prospectus.

BUSINESS DEVELOPMENT AND KEY MILESTONES

The following table summarises the key milestones of our Group's development from inception to the present scale of operations:

2002	Ease Geotechnical was incorporated on 15 March 2002 and commenced business in the same year.
2005	Ease Geotechnical completed the acquisition of Tai Kam Construction in June 2005. At the time of acquisition, Tai Kam Construction was on the List of Approved Specialist Contractors for Public Works under the category of "Landslip Prevention/Remedial Works to Slopes/Retaining Walls" with a probationary status but was suspended from tendering for public works contracts under the category due to its then financial difficulty.
2006	In October 2006, the quality management system of Tai Kam Construction was certified to be in compliance with the requirements of ISO 9001:2008 quality management system standard.

HISTORY AND DEVELOPMENT

In April 2006, Tai Kam Construction was registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of “Site Formation Works” category (for compliance with an updated requirement for contractors on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls”).

In April 2006, the share capital of Tai Kam Construction increased from HK\$3,700,000 to HK\$7,700,000 following an allotment of new shares to Ease Geotechnical for raising capital for the operation of Tai Kam Construction.

In May 2006, the suspension imposed on Tai Kam Construction from tendering for public works contracts under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls” was lifted, and Tai Kam Construction’s probationary status on the List of Approved Specialist Contractors for Public Works under the category was restored.

2007

In January 2007, the share capital of Tai Kam Construction further increased from HK\$7,700,000 to HK\$10,100,000 following an allotment of new shares to Ease Geotechnical for raising additional capital for the operation of Tai Kam Construction.

2008

Tai Kam Construction was included in the Permanent Lists of Qualified Contractors for Operations Projects of MTR Corporation Limited for the categories of “Civil Engineering” and “Slope Protection” in September 2008.

In December 2008, Tai Kam Construction agreed to a temporary suspension from tendering for public works contracts under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls” for a period of eight months as a result of a fatal accident that took place in December 2007 which involved a worker employed by a subcontractor of Tai Kam Construction, details of which are disclosed in the section headed “Business — Licences and qualifications — Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009” in this prospectus.

HISTORY AND DEVELOPMENT

- 2009
- According to a letter dated 26 August 2009 from the Works Branch of the Development Bureau of the Government to Tai Kam Construction, the Secretary for Development was satisfied with the improvements made by Tai Kam Construction in respect of site safety and the aforesaid temporary suspension was lifted upon the expiry of the eight-month period.
- In November 2009, Tai Kam Construction's probationary status in the List of Approved Specialist Contractors for Public Works under the category of "Landslip Prevention/Remedial Works to Slopes/Retaining Walls" was upgraded to a confirmed status.
- 2010
- In February 2010, Tai Kam Construction was awarded in the Best LPM Contractor Competition 2009 organised by CEDD.
- In May 2010, Tai Kam Construction was awarded the silver award in the Considerate Contractors Site Award Scheme 2009 organised by Development Bureau of the Government.
- 2014
- In May 2014, Tai Kam Construction was awarded the silver award in Innovative Safety Initiative Award 2014 jointly organised by the Development Bureau of the Government, Construction Industry Council and Hong Kong Construction Association.
- 2015
- In May 2015, Tai Kam Construction was awarded the merit award in the 21th Considerate Contractor Site Awards Scheme organised by Development Bureau of the Government and Construction Industry Council and it was the fifth time that Tai Kam Construction obtained the award.
- 2016
- In February 2016, Tai Kam Construction was awarded the first runner-up in the Best LPM Contractor Competition 2015 organised by CEDD and it was the seventh consecutive year that Tai Kam Construction obtained the award (including two times as winning contractor and five times as first runner-up).
- In April 2016, the environmental management system of Tai Kam Construction was certified to be in compliance with the requirements of ISO 14001:2004 environmental management system standard, while the occupational health and safety management system of Tai Kam Construction was certified to be in compliance with the requirements of OHSAS 18001:2007 occupational health and safety management systems specification.
- Our Company was incorporated on 1 April 2016 as part of the Reorganisation for the purpose of the Listing.

HISTORY AND DEVELOPMENT

COMPANIES IN OUR GROUP

Tai Kam Construction

Tai Kam Construction, our wholly-owned and principal operating subsidiary which undertakes slope works in Hong Kong as main contractor, was incorporated as a company with limited liability in Hong Kong on 19 March 1996 with an initial issued share capital of HK\$30,000 divided into 30,000 shares with nominal value of HK\$1.00 each. At incorporation, Tai Kam Construction was owned by two independent third parties, as to two-thirds by Mr. Lee Hoi Nam and one-third by Mr. Pa Ng Keung.

Between April 1996 and August 2001, three share allotments of Tai Kam Construction had taken place. As a result of the three share allotments, the issued share capital of Tai Kam Construction increased from HK\$30,000 to HK\$3,700,000 and the number of issued shares increased from 30,000 shares to 3,700,000 shares.

In 2005, Tai Kam Construction was in financial difficulty. In view of the fact that Tai Kam Construction was on the List of Approved Specialist Contractors for Public Works under the category of “Landslip Prevention/Remedial Works to Slopes/Retaining Walls” with a probationary status and had ongoing public works contracts on hand at that time, Ease Geotechnical decided to acquire the entire interest of Tai Kam Construction for its business development in undertaking Government slope works contracts.

On 10 June 2005, by way of a creditors’ scheme of arrangement sanctioned by court under section 166 of the Predecessor Companies Ordinance, (i) Ease Geotechnical acquired the entire interest of Tai Kam Construction from all the shareholders of Tai Kam Construction at that time; and (ii) the scheme creditors compromised their claims against Tai Kam Construction.

Since 10 June 2005 up to the Latest Practicable Date, Tai Kam Construction had been wholly owned by Ease Geotechnical.

After the acquisition of Tai Kam Construction by Ease Geotechnical, two share allotments of Tai Kam Construction had taken place between April 2006 and January 2007. As a result of such share allotments, the share capital of Tai Kam Construction increased from HK\$3,700,000 to HK\$10,100,000 and the number of issued shares increased from 3,700,000 shares to 10,100,000 shares.

With effect from 3 March 2014 on which the Companies Ordinance came into effect, the shares of Tai Kam Construction shall cease to have any nominal value pursuant to section 135 of the Companies Ordinance.

Ease Geotechnical

Ease Geotechnical, our wholly-owned subsidiary which is currently an investment holding company, was incorporated as a company with limited liability in Hong Kong on 15 March 2002 with an initial issued share capital of HK\$1,000 divided into 1,000 shares with nominal value of HK\$1.00 each. At incorporation, Ease Geotechnical was owned as to 99.9% by Mr. KS Lau and 0.1% by Mr. Sanny Lau.

HISTORY AND DEVELOPMENT

In December 2003, two share allotments of Ease Geotechnical had taken place. As a result of such share allotments, the issued share capital of Ease Geotechnical increased from HK\$1,000 to HK\$4,000,000 and the number of issued shares increased from 1,000 shares to 4,000,000 shares. Following such share allotments, Ease Geotechnical became owned as to 75% by Mr. KS Lau and as to 25% by Mr. Sunny Lau.

With effect from 3 March 2014 on which the Companies Ordinance came into effect, the shares of Ease Geotechnical shall cease to have any nominal values pursuant to section 135 of the Companies Ordinance.

On 7 April 2016, for the purpose of settling certain amount due to Mr. KS Lau by Ease Geotechnical and also for raising additional capital for our Group, a share allotment took place where (i) an amount of HK\$4,575,000 due to Mr. KS Lau by Ease Geotechnical was settled by capitalising such amount in full by the issue and allotment of new shares of Ease Geotechnical to Mr. KS Lau; and (ii) Mr. Sunny Lau subscribed for such number of new shares of Ease Geotechnical for an aggregate sum of HK\$1,525,000 that resulted in the respective shareholding interests of Mr. KS Lau and Mr. Sunny Lau in Ease Geotechnical remaining unchanged at 75% and 25% respectively.

As part of the Reorganisation, on 25 May 2016, Sunsky Global, as purchaser, entered into a sale and purchase agreement with Mr. KS Lau and Mr. Sunny Lau, as vendors, pursuant to which Sunsky Global acquired 7,575,000 shares and 2,525,000 shares respectively (representing 75% and 25% of the total issued share capital) of Ease Geotechnical from the aforesaid vendors, at the consideration of HK\$10,741,400 (which was determined with reference to the net assets value of Ease Geotechnical as at 7 April 2016), and in return, Sunsky Global issued and allotted 75 shares to Mr. KS Lau and 25 shares to Mr. Sunny Lau, all shares are credited as fully paid.

Solar Red

Solar Red was incorporated as a company with liability limited by shares in the BVI on 1 January 2016. As at the date of its incorporation, Solar Red was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 January 2016, one ordinary share in Solar Red was allotted and issued as fully paid to Sunsky Global. Solar Red is wholly owned by Sunsky Global and is principally engaged in holding intellectual property and handling other administrative matters of our Group.

Sunsky Global

Sunsky Global was incorporated as a company with liability limited by shares in the BVI on 1 January 2016. It is an investment holding company. As at the date of its incorporation, Sunsky Global was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 January 2016, 100 ordinary shares in Sunsky Global was allotted and issued as fully paid as to 75 shares to Mr. KS Lau and 25 shares to Mr. Sunny Lau, whereby Sunsky Global become 75% owned by Mr. KS Lau and 25% by Mr. Sunny Lau.

HISTORY AND DEVELOPMENT

As part of the Reorganisation, on 17 June 2016, our Company, as purchaser, entered into a reorganisation agreement with Mr. KS Lau and Mr. Sunny Lau, as vendors, pursuant to which our Company acquired 150 ordinary shares and 50 ordinary shares respectively (representing 75% and 25% of the total issued share capital) of Sunsky Global (representing the entire issued shares of Sunsky Global at the relevant time) from Mr. KS Lau and Mr. Sunny Lau, and in consideration, (i) the one nil-paid Share held by Classy Gear was credited as fully paid; and (ii) 9,999 Shares, credited as fully paid, were allotted and issued to Classy Gear, as directed by Mr. KS Lau and Mr. Sunny Lau.

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 April 2016 with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary Shares with par value of HK\$0.01 each. On 1 April 2016, one subscriber Share was allotted and issued in nil-paid form to the initial subscriber, which was subsequently transferred to Classy Gear on the same date.

Classy Gear, the holding vehicle of Mr. KS Lau and Mr. Sunny Lau, was incorporated in the BVI with liability limited by shares on 12 January 2016. On 16 March 2016, 75 ordinary shares of par value US\$1.00 each, credited as fully paid, were issued and allotted to Mr. KS Lau at the total subscription price US\$75.00 and 25 ordinary shares of par value US\$1.00 each, credited as fully paid, were issued and allotted to Mr. Sunny Lau at the subscription price US\$25.00. Since then and up to the Latest Practicable Date, Classy Gear had been owned as to 75% by Mr. KS Lau and as to 25% by Mr. Sunny Lau.

Upon completion of the Reorganisation, our Company became the holding company of our Group on 17 June 2016. The principal business of our Company is investment holding.

SERVICES PROVIDED BY RELATED COMPANIES BEFORE TRACK RECORD PERIOD

Prior to the Track Record Period, Tai Kam Construction paid fees to certain companies wholly owned by Mr. KS Lau (and of which Mr. KS Lau is the sole director) (the “**KS Lau’s Companies**”) for certain operational and safety consultancy services rendered.

As advised by our Directors, our Group required operational and safety consultancy services provided by the KS Lau’s Companies because our Group had not yet hired sufficient technical and safety staff to handle such operational and safety matters at that time.

During the year ended 30 April 2014, our Group hired additional professional, technical and safety staff for handling the relevant operational and safety matters. As such, throughout the Track Record Period, no such consultancy services were required by our Group from the KS Lau’s Companies.

In addition, the KS Lau’s Companies had ceased business operations since May 2014. During the Track Record Period, the KS Lau’s Companies did not generate any revenue nor incur any costs save for certain accounting and general corporate expenses.

HISTORY AND DEVELOPMENT

REORGANISATION

In preparation for the Listing, we have completed the Reorganisation on 17 June 2016 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 paragraph headed “A. Further information about our Company — 4. Corporation reorganisation” in Appendix IV to this prospectus.

On 17 June 2016, the Reorganisation had been properly and legally completed in compliance with all relevant laws and regulations.

CONCERT PARTY DEED

As at the Latest Practicable Date, Mr. KS Lau and Mr. Sanny Lau indirectly held approximately 75% and 25% of the total issued share capital of our Company respectively. On 6 May 2016, Mr. KS Lau and Mr. Sanny Lau, being brothers, entered into the Concert Party Deed to align their shareholding interests of our Company.

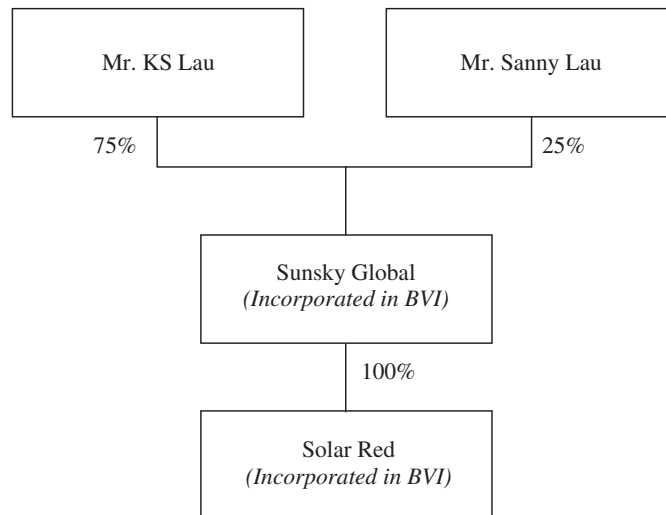
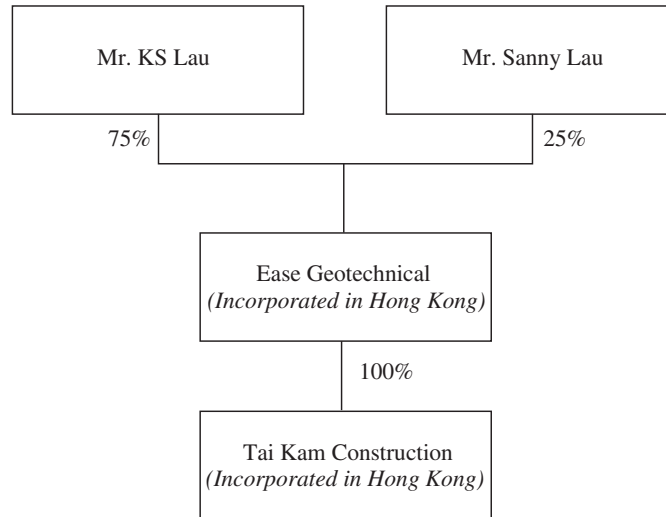
Pursuant to the Concert Party Deed, Mr. KS Lau and Mr. Sanny Lau agreed to vote in concert for all operational, management and financial matters in shareholders’ meetings and meetings of our Directors, and Mr. KS Lau and Mr. Sanny Lau also confirmed the existence of the aforementioned acting in concert arrangements in the past over the course of our Company’s business history.

By virtue of the Concert Party Deed, Mr. KS Lau and Mr. Sanny Lau will together be entitled to exercise and control 75% of our Company’s entire issued share capital upon the completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon exercise of options to be granted under the Share Option Scheme). Hence, each of them is deemed to be interested in all the shares held by them in aggregate by virtue of the SFO.

HISTORY AND DEVELOPMENT

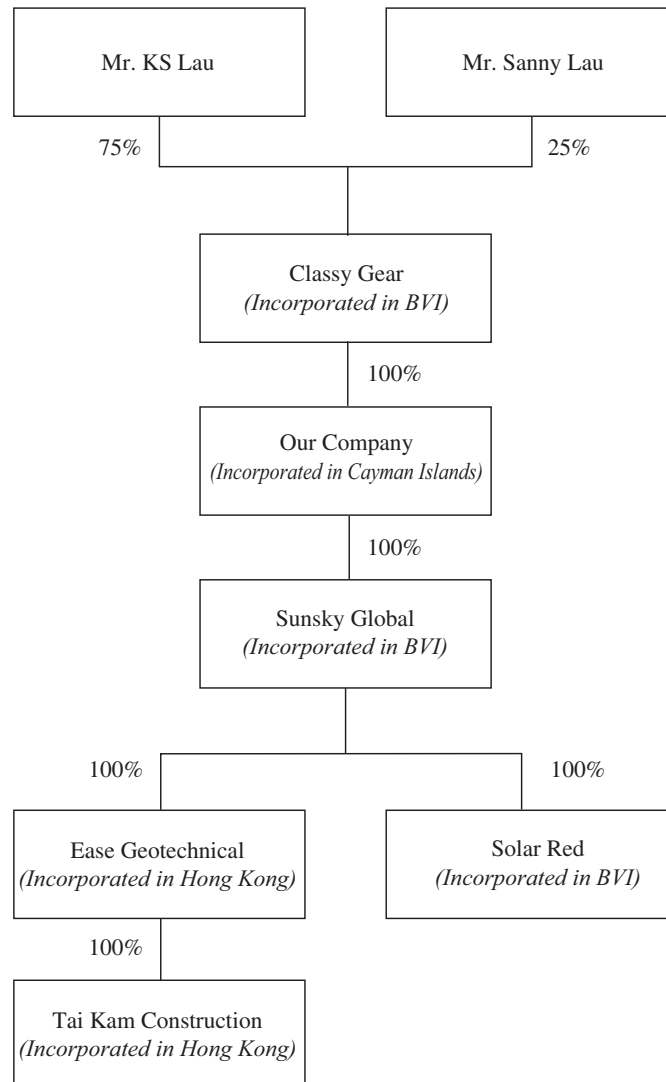
GROUP STRUCTURE

The following charts set out the shareholding and corporate structure of our Group immediately before the Reorganisation:



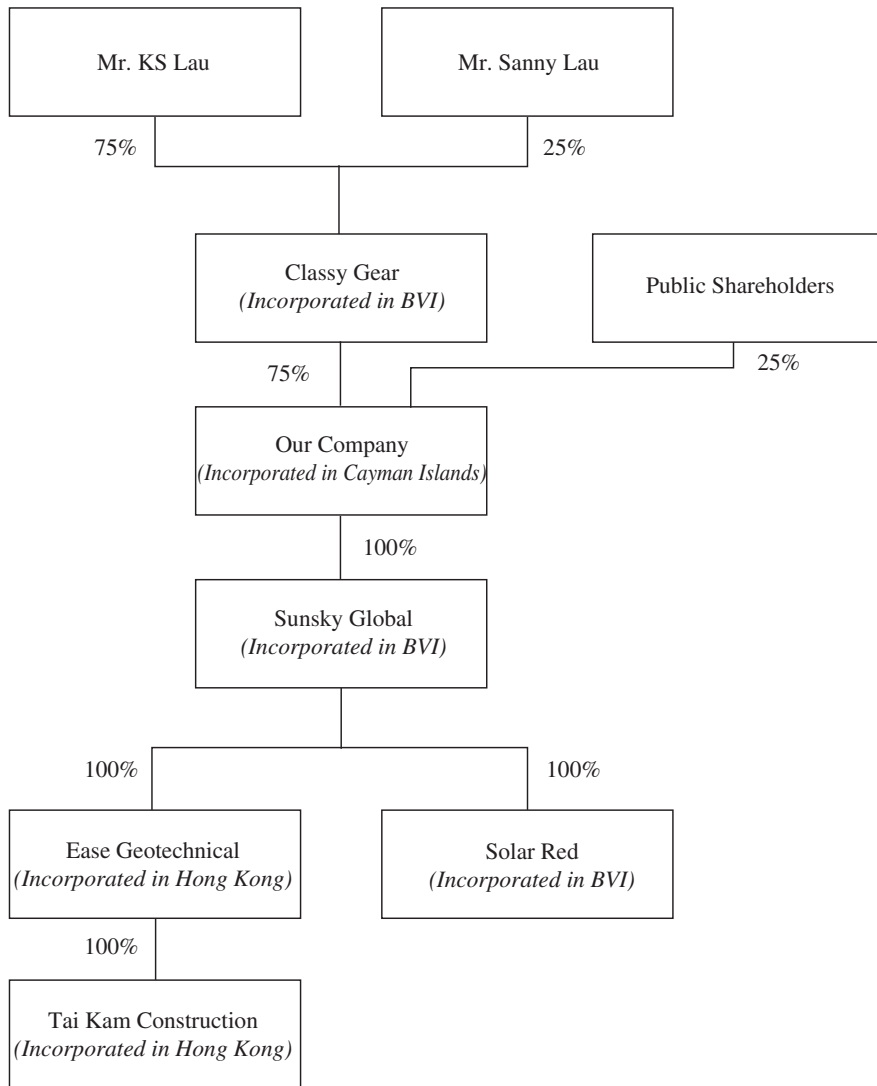
HISTORY AND DEVELOPMENT

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Placing:



HISTORY AND DEVELOPMENT

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We undertake slope works in Hong Kong as main contractor. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

The majority of our revenue during the Track Record Period was derived from Government projects, where our customers primarily included the CEDD, the Housing Authority and the AFCD. During the Track Record Period, we had also undertaken some non-Government projects, where our customers were a tertiary educational institution in Hong Kong and the manager of a real estate investment trust listed in Hong Kong. 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 Government and non-Government projects:

	FY2014/15		FY2015/16	
	HK\$'000	%	HK\$'000	%
Government projects	74,871	96.38	92,778	95.46
Non-Government projects	<u>2,812</u>	<u>3.62</u>	<u>4,416</u>	<u>4.54</u>
Total	<u><u>77,683</u></u>	<u><u>100.00</u></u>	<u><u>97,194</u></u>	<u><u>100.00</u></u>

As main contractor, we are generally responsible for (i) the supervision of site works carried out by our own direct labours and 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 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.

We possess our own direct labour resources for performing slope works. Depending on the availability of our own resources, we may also subcontract the works to subcontractors. In addition, we also possess certain machinery (as further discussed in the paragraph headed “Machinery and motor vehicles” below in this section) for carrying out slope works while we may also rent machinery from third parties or require our subcontractors to arrange for machinery where applicable.

If the works are carried out by our own labour resources, we normally procure the required construction materials by ourselves on a project-by-project basis without maintaining any inventory. If subcontractors are engaged, we normally procure the required construction materials for our subcontractors with the relevant costs borne by our subcontractors.

Our revenue represents income derived from undertaking contract works. Costs of our operations include subcontracting charges, staff costs, cost of construction materials, cost of taking out insurance policies, etc.

BUSINESS

Tai Kam 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 slope works contracts. For further details, please refer to the paragraph headed “Licences and qualifications” below in this section.

During the Track Record Period, we had an aggregate of 18 projects with revenue contribution to us. As at the Latest Practicable Date, we had an aggregate of five 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 CEDD. 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 in Hong Kong. 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 every year. Please refer to the section headed “Industry overview — Slope works industry overview — 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 lets an average of about 13 slope works contracts each year (with multiple slopes or sites under each works contract).

To tender for Government slope 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 qualifications” 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 38 such approved specialist contractors, among which 16 were on probation and 22 had a confirmed status (including Tai Kam Construction). 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 ratings under the

BUSINESS

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 — 1. High performance ratings of Tai Kam 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 latest information available on the website of the CEDD, as at 3 October 2016, there were 25 active works contracts under the Landslip Prevention and Mitigation Programme with total contract sum of approximately HK\$2,309.39 million. Among such 25 active contracts as at 3 October 2016, four contracts with total contract sum of approximately HK\$315.66 million were awarded to Tai Kam Construction, giving us a market share of approximately 13.67% in terms of contract sum among such active CEDD slope works contracts.

According to the Ipsos Report, the top six slope works contractors in Hong Kong together accounted for approximately 62.9% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government slope works). Tai Kam Construction was the sixth largest slope works contractor in Hong Kong in 2015, with approximately 5.3% of the total revenue of the slope works industry in Hong Kong in 2015 (for both Government and non-Government 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.

COMPETITIVE STRENGTHS

We believe that our competitive strengths include:

1. **High performance ratings of Tai Kam 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 project offices and relevant tender boards 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 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 three-month reporting periods. The score of a contractor's performance report is determined by the scores attained by the contractor in 11 different attributes (where applicable), including workmanship, progress, site safety, environmental pollution control, organisation, general obligations, industry awareness, resources, design, attendance to emergency and attitude to claims.

BUSINESS

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 on a quarterly basis. Such letter sets out the highest, lowest, 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 zero 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 ratings 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.

During the Track Record Period, Tai Kam Construction's quarterly performance ratings as appraised by the Development Bureau of the Government were consistently above the average rating or equal to the highest rating among all contractors being rated under the category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls" for the last nine consecutive quarters up to the second quarter of 2016. Tai Kam Construction's quarterly performance ratings from the commencement of the Track Record Period up to the second quarter of 2016 are summarised in the table below:

Tai Kam Construction's quarterly performance ratings under the category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls"

2 nd quarter of 2014	Equal to the highest rating among all contractors being rated under the category
3 rd quarter of 2014	Equal to the highest rating among all contractors being rated under the category

BUSINESS

Tai Kam Construction's quarterly performance ratings under the category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls"

4 th quarter of 2014	Equal to the highest rating among all contractors being rated under the category
1 st quarter of 2015	Less than 7% below the highest rating and more than 14% higher than the average rating among all contractors being rated under the category
2 nd quarter of 2015	Equal to the highest rating among all contractors being rated under the category
3 rd quarter of 2015	Less than 2% below the highest rating and more than 14% higher than the average rating among all contractors being rated under the category
4 th quarter of 2015	Less than 3% below the highest rating and more than 13% higher than the average rating among all contractors being rated under the category
1 st quarter of 2016	Less than 4% below the highest rating and more than 13% higher than the average rating among all contractors being rated under the category
2 nd quarter of 2016	Less than 4% below the highest rating and more than 12% higher than the average rating among all contractors being rated under the category

Tai Kam Construction attained the highest performance ratings among all contractors being rated under the category of "Landslip Preventive/Remedial Works to Slopes/Retaining Walls" in four out of the nine quarters shown in the table above. However, Tai Kam Construction was unable to achieve the highest performance ratings in five out of the last six quarters shown in the above table. Our Directors believe that this was mainly a result of the relatively better performance of other contractors being rated, which might have from time to time achieved higher scores than Tai Kam Construction did in certain projects or in certain attributes under the Contractors' Performance Index System. Our Directors confirmed that there was no material change in the absolute level of performance of Tai Kam Construction during the Track Record Period and up to the Latest Practicable Date, as evidenced by the fact that:

- in respect of the nine quarters shown in the above table, Tai Kam Construction's performance ratings fluctuated within a relatively narrow band, with the difference between the highest and the lowest ratings being less than 2.6%; and
- even when Tai Kam Construction was unable to attain the highest performance rating among all contractors being rated in the five quarters shown above, it was able to achieve

BUSINESS

a performance rating that was approximately 12% to 14% higher than the average rating among all contractors being rated under the category in the respective quarters, which suggests that Tai Kam Construction's absolute level of performance was notably above average.

Because of the significance of the performance ratings in the "formula approach" as mentioned above, the high performance ratings of Tai Kam Construction give us a competitive advantage when tendering for Government slope works contracts.

2. Experienced project management team

In a typical project, we, as the main contractor, are generally responsible for (i) the supervision of site works carried out by our own direct labours and 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, our team of project management and supervision staff comprised a total of 28 members, including Mr. KS Lau, Mr. Sanny Lau and Mr. MC Lau, each being our executive Director, as well as Mr. Chen Talent and Ms. Yip Mei Po Mabel, who are members of our senior management. Mr. KS Lau, Mr. Sanny Lau and Mr. MC Lau have over 30 years, 14 years and 14 years of experience in the construction industry, respectively. Mr. Chen Talent and Ms. Yip Mei Po Mabel have more than 18 years and 13 years of experience in the construction industry in Hong Kong, respectively. For further information regarding the background of Mr. KS Lau, Mr. Sanny Lau, Mr. MC Lau, Mr. Chen Talent and Ms. Yip Mei Po Mabel, please refer to the section headed "Directors and senior management" in this prospectus.

3. Stringent quality control and high safety standard and environmental impact control

We place emphasis on consistently high quality of our services and have adopted and implemented a quality control system that complies with international standards. Since 2006 we have been assessed and certified to have complied with the requirements of ISO 9001, and we have obtained ISO 9001:2015 accreditation for our quality management system in September 2016.

We have set up an occupational health and safety system and an environmental management system that comply with international standards. Our occupational health and safety system and our environmental management system have been certified to be in compliance with OHSAS 18001:2007 and ISO 14001:2015 standards respectively.

BUSINESS

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 in Hong Kong.

BUSINESS STRATEGY

Overview of our future business strategy

Our principal business objective is to further strengthen our position as an established slope works contractor in Hong Kong. We intend to achieve our business objective by expanding our scale of operation through actively seeking opportunities in undertaking additional slope works contracts on top of our present scale of operation and our current contracts on hand.

Our current intended business strategy is to enhance our machinery, equipment and manpower as well as to increase our available working capital, so as to enable us to expand our business by undertaking additional Government slope works contracts, to be executed by our own direct labour resources without any substantial use of subcontractors.

We intend to undertake additional Government contracts rather than non-Government contracts because our Directors consider that we have a clear competitive advantage in competing for Government contracts due to the high performance ratings of Tai Kam Construction under the Contractors' Performance Index System as discussed in the paragraph headed "Competitive strengths" above.

Our Directors intend to execute the additional projects by our own direct labour resources without any substantial use of subcontractors because our Directors consider that holding all else the same, the use of our own direct labour resources (as compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

Due to reasons set out in the paragraph headed "Financial resources required for the implementation of our business strategy" below, our Directors consider that in order for our Group to undertake more Government slope works contracts and to continue to expand our business scale going forward, we will need to continue to increase our available financial resources and to enhance our machinery, equipment and manpower. Our Directors estimate that the proceeds from the Placing will enable our Group to undertake additional slope works contracts (on top of our present scale of operation and our current contracts on hand) with an aggregate contract sum of approximately HK\$140 million to HK\$180 million (assuming a contract period of approximately two to three years).

Specific Government slope works contracts to be pursued by our Group

Based on the information currently available to us, our Group presently intends to pursue tender opportunities offered by the CEDD for the implementation of our business strategy. Specifically, based on the "Forecast of Invitations to Tender" published on the website of the Development Bureau and

BUSINESS

due to reasons set out in the paragraph headed “Reasonableness and feasibility of our business strategy” below, our Directors are confident that if additional funding from the Placing is available to our Group, we will be able to undertake two additional CEDD slope works contracts by the end of FY2016/17, each with a contract sum of approximately HK\$70 million to HK\$90 million and a contract period of approximately two to three years. Nevertheless, such two additional CEDD slope works contracts were not yet available for tendering as of the Latest Practicable Date and the award of such contracts is uncertain. If we are successful in obtaining such two additional CEDD contracts as planned, we intend to apply the proceeds from the Placing for satisfying some of the costs and working capital requirements associated with undertaking such two additional CEDD contracts, as further discussed in the paragraph headed “Use of proceeds from the Placing for our business strategy” below.

In the event that we are unable to obtain the aforesaid two additional CEDD contracts as intended, our Directors believe that with the proceeds from the Placing and due to reasons discussed in the paragraph headed “Reasonableness and feasibility of our business strategy” below, we will be able to obtain additional slope works contracts from other Government departments and agencies with an aggregate contract sum of approximately HK\$140 million to HK\$180 million for the implementation of our business strategy. In such case, we will apply the proceeds from the Placing in a similar manner as discussed in the paragraph headed “Use of proceeds from the Placing for our business strategy” below for satisfying various costs and working capital requirements associated with undertaking the additional contracts to be obtained by us.

Reasonableness and feasibility of our business strategy

1. *Whether there will be sufficient Government tenders that are suitable for our business strategy*

According to the Ipsos Report, the slope works industry in Hong Kong is expected to benefit from the following industry drivers: (i) the continuous implementation of the Landslip Prevention and Mitigation Programme and the Government’s continued commitment to slope safety; (ii) the demand for slope stabilisation and reinforcement at new residential building sites; and (iii) the demand for slope works for large-scale infrastructure projects. The Ipsos Report also stated that the gross output value of slope works in Hong Kong is projected to increase from approximately HK\$1,826.5 million in 2016 to approximately HK\$2,321.1 million in 2020, representing a CAGR of approximately 6.2%. For further details, please refer to the section headed “Industry overview” in this prospectus.

According to the “Forecast of Invitations to Tender” published on the website of the Development Bureau of the Government, there will be 10 possible slope works contracts to be made available for tender by the CEDD in around October to December 2016. This has not yet included other possible slope works contracts available for tender from the Housing Authority and other Government departments and agencies.

Based on the above, our Directors consider there will be sufficient Government tenders that are suitable for our aforesaid business strategy.

BUSINESS

2. *Whether it is reasonable to assume that we will be able to obtain two additional CEDD contracts in accordance with our business strategy*

Our Directors consider that the uncertainty as to whether we are able to succeed in tendering for contracts is an inherent risk in our business. Please refer to the section headed “Risk factors — Risks relating to our business — Our revenue is mainly derived from projects which are non-recurring in nature and our business depends on our success rate on project tendering” for further information.

Nevertheless, our Directors believe that the high performance ratings of Tai Kam Construction under the Contractors’ Performance Index System place us in an advantageous position when bidding for Government tenders, as discussed in the paragraph headed “Competitive strengths” above.

During FY2014/15, we submitted eight tenders for CEDD projects and was awarded three contracts, representing a tender success rate (in respect of CEDD projects) of 37.5%. During FY2015/16, we submitted five tenders for CEDD projects and was awarded one contract, representing a tender success rate (in respect of CEDD projects) of 20%.

As mentioned above, according to the “Forecast of Invitations to Tender” published on the website of the Development Bureau of the Government, there will be 10 possible slope works contracts to be made available for tender by the CEDD in around October to December 2016. Even if it is assumed that such 10 contracts will be the only contracts available for tender for the implementation of our business strategy, obtaining two contracts will imply a tender success rate of approximately 20%, which, in the opinion of our Directors, is achievable given the range of our tender success rates in respect of CEDD projects during the Track Record Period of 20% to 37.5%.

Furthermore, subsequent to 30 April 2016 and up to the Latest Practicable Date, we had received 23 tender invitations from customers other than CEDD, and we have submitted four tenders with aggregate contract sum of approximately HK\$72.26 million. One of the submitted tenders was not successful and the results of other submitted tenders were pending as at the Latest Practicable Date.

Based on the above, our Directors consider that it is reasonable to assume that we will be able to obtain two additional CEDD contracts in accordance with our aforesaid business strategy.

3. *Contingency plan in case we are unable to obtain two additional CEDD contracts as planned*

Although our Directors consider it is reasonable to assume that we will be able to obtain two additional CEDD contracts as discussed above, there is an inherent uncertainty as to the outcome of any tender bids. In view of such uncertainty, our Directors will implement the following measures in relation to the implementation of our business strategy and use of proceeds from the Placing:

- We will actively look for and evaluate suitable tender opportunities from the Housing Authority and other Government departments and agencies by the following means: (i) we have attended and will continue to attend liaison meetings held by the Geotechnical Engineering Office of the CEDD in order to obtain updates on tender invitations of slope works projects of various Government departments; (ii) we have attended and will continue to attend tender briefing sessions held by agencies of various Government departments for

BUSINESS

potential tenders in order to maintain our relationship with them and to seek for invitations for suitable tenders; and (iii) we have visited and will continue to visit the respective websites of other Government departments on a continuous basis such as the Lands Department, the Highways Department and the Housing Authority for any tender notices and forecasts of invitations to tender.

- We will submit tenders for suitable slope works contracts offered by the Housing Authority and other Government departments and agencies, concurrently with our submission of tender bids for the 10 CEDD contracts mentioned above.
- We will closely monitor the progress of all tenders submitted with a view to obtaining such additional contracts that have an aggregate contract sum of approximately HK\$140 million to HK\$180 million by the end of FY2016/17 in accordance with our business strategy.
- We will apply the proceeds from the Placing in a similar manner as discussed in the paragraph headed “Use of proceeds from the Placing for our business strategy” below for satisfying various costs and working capital requirements associated with undertaking the additional contracts obtained by us.

During a liaison meeting of the Geotechnical Engineering Office of the CEDD held in May 2016, it was mentioned that various slope works and related projects were being planned for 2016 and early 2017 by different Government departments other than the CEDD, including the Highways Department, the Lands Department, the Buildings Department, the Architectural Services Department and the Housing Department.

During the Track Record Period, we had non-CEDD Government contracts from the AFCD and the Housing Authority with an aggregate contract sum of approximately HK\$61.5 million. Prior to the Track Record Period, we also had non-CEDD Government contracts including those from the Architectural Services Department and the Lands Department.

In addition, as mentioned above, subsequent to 30 April 2016 and up to the Latest Practicable Date, we had received 23 tender invitations from customers other than CEDD, including Government departments such as the Architectural Services Department, the Department of Health, the Environmental Protection Department and the Housing Authority, as well as other non-Government customers such as a listed public utility corporation in Hong Kong, schools and other private organisations. Based on the information available to us, our Directors estimate that the aggregate contract sum of such 23 tenders is in excess of HK\$240 million, which is in excess of our target total contract sum of additional contracts of HK\$140 million to HK\$180 million for the implementation of our business strategy. Up to the Latest Practicable Date, out of the 23 tender invitations, we had only submitted four tenders with total contract sum of approximately HK\$72.26 million, because our Directors consider that we do not have sufficient financial resources to tender for and undertake all 23 contracts (as the sufficiency of financial resources is one of the evaluation criteria in most of the tenders). For further information regarding the financial resources required for undertaking additional contracts, please refer to the paragraph headed “Financial resources required for the implementation of our business strategy” below.

BUSINESS

According to the Ipsos Report, the gross output value of slope works in Hong Kong under Government slope works contracts has increased significantly from approximately HK\$869.2 million in 2011 to approximately HK\$1,642.8 million in 2015, and is projected to further increase to approximately HK\$2,123.6 million in 2020, as discussed in the section headed “Industry overview” in this prospectus. This suggests that more business opportunities in relation to Government slope works contracts will be expected in the coming years, which is expected to benefit our Group and our implementation of our business strategy.

Despite the inherent uncertainty as to the outcome of our future tender bids, given (i) the increase in our available financial resources following the Placing; (ii) our past operational track records; (iii) our competitive advantages including in particular the high performance ratings of Tai Kam Construction under the Contractors’ Performance Index System as discussed in the paragraph headed “Competitive strengths” above; and (iv) the availability of suitable Government slope works contracts and the industry outlook as discussed above, our Directors consider that if additional funding from the Placing is available to our Group, it is reasonable to conclude that our Group will be able to expand our scale of operation by tendering for and undertaking additional slope works contracts (offered by CEDD and/or other Government departments or agencies) on top of our present scale of operation and our current contracts on hand in accordance with our business strategy.

Financial resources required for the implementation of our business strategy

1. *Working capital required for undertaking additional contracts*

One of the key factors affecting our ability to undertake additional slope works contracts on top of our present scale of operation and our current contracts on hand is the amount of our available working capital because:

- (i) the retention of Tai Kam Construction 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” is subject to certain minimum capital requirements being met from time to time taking into account our outstanding workload and available financial resources, as set forth in the paragraph headed “Licences and qualifications” below in this section; and
- (ii) there are various other working capital requirements associated with undertaking contract works, as discussed in the paragraph headed “Risk management and internal control systems — (v) Liquidity risk” below in this section.

Therefore, if we are to continue to expand our business scale and undertake more contracts going forward, we must continue to increase our available financial resources in order to satisfy the various working capital requirements mentioned above, including, in particular, the 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.

BUSINESS

2. *Whether we will be able to pursue our business strategy without additional funding*

Having taken into account our current contracts on hand, our current available financial resources, our expected liquidity needs (including daily operational needs for the settlement of trade and other payables as well as expected payments for the Listing expenses), and the expected investments and liquidity needs associated with our aforesaid intended business strategy of undertaking additional Government slope works contracts, our Directors estimate that in order for us to pursue our aforesaid intended business strategy, we have to obtain additional funding (on top of our available resources as at the Latest Practicable Date).

Pursuant to the Contractor Management Handbook — Revision B published by the Development Bureau of the Government, in order to remain on the List of Approved Specialist Contractors for Public Works under the “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category, Tai Kam Construction must, among other things, maintain a minimum working capital of either (a) HK\$8,600,000 if there are 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 Government and non-Government projects, as further discussed in the paragraph headed “Licences and qualifications” below in this section.

According to the calculation method of the Works Branch of the Development Bureau of the Government, working capital refers to cash and bank balances, certain available banking facilities and certain liquid assets, less current liabilities. Based on such calculation method and without taking into account our available banking facilities, our Group’s available working capital as at 30 April 2016 would include cash and bank balances of approximately HK\$16.92 million and trade and other receivables (excluding prepayment of listing expenses of HK\$2.76 million) of approximately HK\$20.54 million, less current liabilities of HK\$16.49 million, which arrives at the resulting amount of available working capital of approximately HK\$20.97 million as at 30 April 2016. Amounts due from customers for contract work (approximately HK\$3.01 million as at 30 April 2016) was not included in the above calculation because such item is not regarded as part of our available working capital pursuant to the calculation method of the Works Branch of the Development Bureau of the Government.

Following the submission of our listing application to the Stock Exchange in June 2016 and prior to the Listing, we made payments of listing expenses of an aggregate amount of approximately HK\$5.0 million out of our available cash and bank balances. As a result, without taking into account our available banking facilities and other transactions that took place subsequent to 30 April 2016, our Group’s current available working capital is approximately HK\$15.97 million.

As disclosed in the paragraph headed “Projects on hand” below in this section, as at the Latest Practicable Date, we had a total of five projects on hand, from which we expect to derive revenue of approximately HK\$156.26 million for FY2016/17. Such figure (i.e. approximately HK\$156.26 million), by definition, roughly equals the combined annual value of uncompleted works of our outstanding contracts. Accordingly, 10% of this figure (being the minimum amount of working capital that we are required to maintain) is approximately HK\$15.63 million.

BUSINESS

Based on the above and without taking into account our available banking facilities, our current available working capital is only approximately HK\$0.34 million above the minimum working capital that we are required to maintain, which is not sufficient to satisfy the working capital requirements and the costs of other investments necessary for undertaking additional contracts as further discussed in the paragraph headed “Use of proceeds from the Placing for our business strategy” below.

As at the Latest Practicable Date, we had available unutilised banking facilities in the aggregate amount of HK\$15 million, as further discussed in the section headed “Financial information — Indebtedness — Banking facilities” in this prospectus. Such banking facilities were obtained by us in order to ensure, among other things, that we are able to meet our liquidity needs in case any unforeseen circumstances arise which require the use of immediate available funds. Given our current working capital needs as discussed above, if we pursue our aforesaid business strategy by fully utilising our banking facilities and without raising additional funding, this would mean that our financial resources will be stretched to the limit, and, from a perspective of prudent financial management, our Directors do not consider this to be in the interest of our Company as this could lead to a significantly higher risk of insolvency if any unforeseen circumstances arise.

In addition, interest expenses will be incurred when we utilise our banking facilities or pursue other debt financing exercises, which will affect our financial performance. Equity financing (such as the Placing), on the contrary, is interest-free.

Based on the above, our Directors consider that given our current working capital needs as well as the financial resources required for undertaking additional contracts in accordance with our business strategy, we have to obtain additional funding on top of our available financial resources as at the Latest Practicable Date. Therefore, our Directors consider that pursuing the Listing is in the interest of our Company.

Use of proceeds from the Placing for our business strategy

Our Directors estimate that various investments in machinery, equipment and manpower will be necessary and various operating expenses will be incurred in relation to our plan to undertake additional Government slope works contracts on top of our present scale of operation and our current contracts on hand. In addition, additional funding will be required in order to satisfy the aforementioned working capital requirements. Assuming an aggregate contract sum of approximately HK\$160 million for the additional Government contracts to be undertaken by us, it is the current intention of our Directors to apply the net proceeds from the Placing to be received by our Company (estimated to be approximately HK\$49.56 million) for satisfying some of the costs and working capital

BUSINESS

requirements associated with undertaking such additional Government slope works contracts, as shown in the table below, for each of the six-month periods up to 30 April 2019:

Period	Item	Cost <i>HK\$ million</i>
From the Latest Practicable Date to 30 April 2017	Addition of machinery, equipment and motor vehicles	
	— 2 air compressors	1.10
	— 4 motor vehicles	1.60
	— Miscellaneous tools and equipment	<u>0.60</u>
		3.30
	Additional staff costs (<i>Note 1</i>)	
	— 2 project managers	0.56
	— 2 site agents	0.56
	— 2 safety officers	0.45
	— 2 labour officers	0.17
	— 2 environmental officers	0.17
	— About 6-8 assistant engineers and foremen	1.13
	— About 25-30 site LPM and supporting workers	<u>2.36</u>
		5.40
	Other related initial costs (including those in relation to setting up site offices and taking out necessary project-related insurance policies)	3.60
	Sub-total for the period	<u><u>12.30</u></u>
From 1 May 2017 to 31 October 2017	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	6.48
	Sub-total for the period	<u><u>6.48</u></u>
From 1 November 2017 to 30 April 2018	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	7.29
	Sub-total for the period	<u><u>7.29</u></u>
From 1 May 2018 to 31 October 2018	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	7.29
	Sub-total for the period	<u><u>7.29</u></u>

BUSINESS

Period	Item	Cost <i>HK\$ million</i>
From 1 November 2018 to 30 April 2019	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	8.20
	Sub-total for the period	<u>8.20</u>
Sub-total		<u>41.56</u>
Throughout the Latest Practicable to 30 April 2019	Amount earmarked for satisfying applicable working capital requirement (<i>Note 2</i>)	8.00
Total		<u>49.56</u>

Notes:

1. The type and number of additional staff are estimated based on the site worker requirements stated in past Government slope works contracts and the past experience of our Directors in dealing with slope works contracts of similar contract sum.
2. It is expected that an amount of approximately HK\$8.00 million is required to be earmarked throughout the period from the Latest Practicable Date to 30 April 2019 for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as 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”), on the assumption of an aggregate contract sum of the additional contracts of approximately HK\$160 million and an average contract period of approximately two years, and thus a combined annual value of uncompleted works on the additional contracts of approximately HK\$80 million.

It is the current intention of our Directors to apply the net proceeds from the Placing to be received by our Company (estimated to be approximately HK\$49.56 million) in accordance with the above for pursuing our intended business strategy of undertaking additional Government slope works contracts on top of our present scale of operation and our current contracts on hand.

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

BUSINESS

Cost savings analysis

As mentioned above, it is part of our business strategy to execute future Government slope works contracts by our own resources so as to achieve a higher profit margin.

Our Directors estimate that if we lease machinery and equipment that are necessary for the execution of the additional slope works contracts, the relevant annual rental costs to be incurred by us, when compared to the annual depreciation and maintenance costs if we acquire the same machinery and equipment, would be approximately 58% higher. Specifically, as mentioned in the paragraph headed “Use of proceeds from the Placing for our business strategy” above, our Directors estimate that we will need to acquire two air compressors for the implementation of our business strategy. After the acquisition of such two air compressors, our Directors estimate that we will incur annual depreciation and maintenance costs in the aggregate amount of approximately HK\$334,000. If we lease two air compressor from third parties instead, our Directors estimate that the prevailing annual market rental costs would be approximately HK\$528,000, which is approximately HK\$194,000 higher than the estimated aggregate amount of annual depreciation and maintenance costs mentioned above. Therefore, our Directors consider that acquiring additional machinery and equipment can lead to cost savings for our Group.

In addition, based on our Group’s past records, the gross profit margins in respect of projects which were substantially completed by engaging subcontractors were normally around 10% or below, while the gross profit margins in respect of projects which were substantially completed by our own direct labours (after taking into account the relevant direct labour costs) were normally around 20% or above. Therefore, our Directors consider that substantial cost savings can be achieved if we are to employ additional direct labours for executing future projects instead of engaging subcontractors. In a typical project, direct labour costs and subcontracting charges are generally inversely related as we may either make use of our own direct labour resources or engage subcontractors to perform site works. For instance, if we choose to solely make use of our own direct labour resources to execute a project, there will be no need to engage subcontractors in the project and thus the subcontracting charges incurred by us will decrease. Out of our five projects on hand as at the Latest Practicable Date, our Directors expect that three will be substantially completed by engaging subcontractors, while the remaining two will be substantially completed by our own direct labour resources. Assuming that we will be able to obtain two additional CEDD projects for the implementation of our business strategy, we will then have seven ongoing projects, out of which three will be carried out substantially by the use of subcontractors while the remaining four will be carried out substantially by our own direct labour resources. Going forward, our Directors expect that such proportion of subcontracting and using direct labours will remain roughly the same (that is, three out of seven ongoing projects, which accounted for approximately 48% of the total contract sum, will be carried out substantially by the use of subcontractors while four out of seven ongoing projects, which accounted for approximately 52% of the total contract sum, will be carried out substantially by our own direct labours) until we are able to accumulate sufficient additional funding (for example, through profits generated from our operations) for the further expansion of our scale of operation. When opportunities for further expansion arise, our Directors intend to undertake future additional projects by our own direct labour resources without any substantial use of subcontractors because this would generally lead to a higher profit margin for our Group as explained above.

BUSINESS

Based on our Directors' experience, our past project-related data, and the profit margins achieved by our Group in the past, our Directors estimate that:

- (i) in respect of the aforesaid seven projects, out of which four will be carried out substantially by our own direct labour resources while the remaining three will be carried out substantially by the use of subcontractors, our Group will incur direct staff costs and subcontracting charges of approximately HK\$325.5 million for the entire contract periods;
- (ii) if the aforesaid seven projects were substantially executed by our direct labours, our Group will incur direct staff costs of approximately HK\$252.5 million for the entire contract periods; and
- (iii) if the aforesaid seven projects were substantially executed by subcontractors, our Group will incur subcontracting charges of approximately HK\$404.0 million for the entire contract periods.

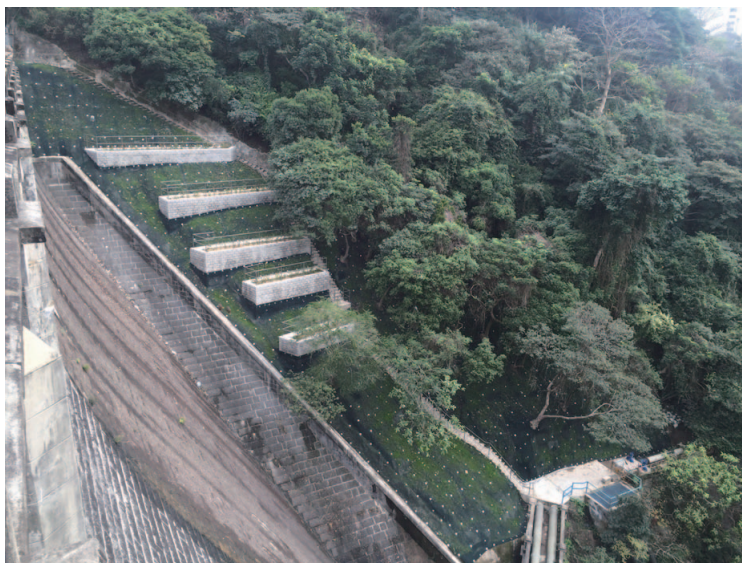
OUR SERVICES

Undertaking slope works

We undertake slope works in Hong Kong as main contractor. Slope works generally refer to landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

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

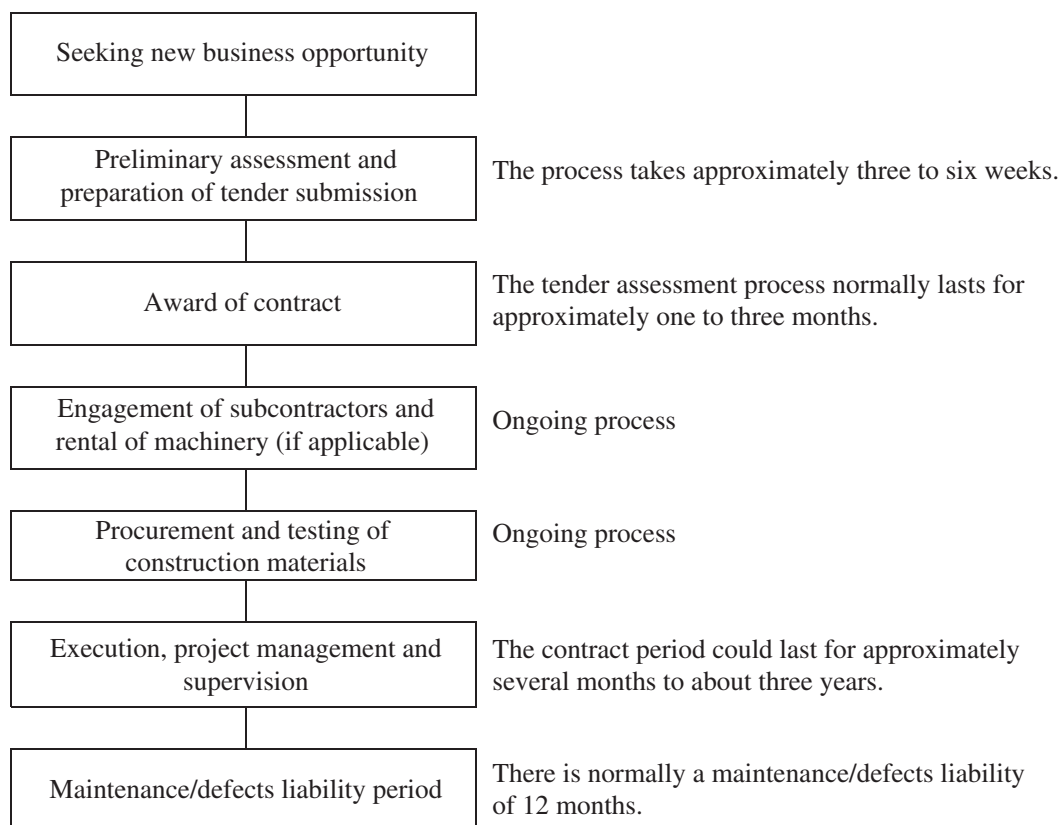
The following photograph is taken at the work site of a slope works project undertaken by us during the Track Record Period:



BUSINESS

Operation flow

The following diagram summarises the principal steps of our operation flow when undertaking slope works (*Note*):



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 the existence of any unforeseeable circumstances.

Seeking new business opportunity

Our Government projects are normally awarded through open tendering procedures. We seek new business opportunities in Government projects by (i) reviewing the Government Gazette and the Government's websites 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 the approved specialist contractors included in the List of Approved Specialist Contractors for Public Works (see the paragraph headed "Licences and qualifications" 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.

BUSINESS

During the Track Record Period, the non-Government projects undertaken by us were awarded through invited quotation or invited tendering procedures. We received the relevant information in respect of the non-Government projects by way of invitations from our customers.

Preliminary assessment and preparation of tender submission

After obtaining the tender documents including the forms of tender and further particulars in relation to the potential project, 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 “Risk management and internal control systems — (v) Liquidity risk” 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 submission such as studying the requirements of the project, performing site visits, estimating the cost of labours and construction materials required, and assessing the amount of manpower for the project. If we intend to engage subcontractors, we will also obtain preliminary quotations from potential subcontractors to which we may subcontract the site works.

Award of contracts

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

The following table summarises our overall tender success rate for each of FY2014/15, FY2015/16 and from 1 May 2016 to the Latest Practicable Date:

	FY2014/15	FY2015/16	From 1 May 2016 to the Latest Practicable Date
Number of tender invitations and notices (<i>Note 1</i>)	24	25	23
Number of tenders submitted	20	11	4
Number of contracts awarded	5	1	0
Tender success rate (<i>Note 2</i>)	25%	9%	0%

Notes:

1. Tender invitations and notices include tender invitations received by us in writing as well as tender invitations and notices posted on the websites of the relevant Government departments and authorities that were intended for approved specialist contractors included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls”.

BUSINESS

2. Tender success rate for a financial year is calculated based on the number of contracts awarded (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year. During the period from 1 May 2016 to the Latest Practicable Date, we had submitted four tenders. One of the submitted tenders was not successful and the results of other submitted tenders are pending as at the Latest Practicable Date.

We may respond to tender notices or invitations by submitting tenders even at times when we may not have sufficient capacity to undertake more projects. 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 development and pricing trends which are useful to us in tendering for projects in the future. Due to such strategy and subject to our available resources and working capital from time to time, we may submit tenders which are less competitive for certain projects, thereby leading to fluctuations in our overall tender success rates from period to period. Specifically, our tender success rate decreased significantly from approximately 25% for FY2014/15 to approximately 9% for FY2015/16, mainly due to a number of relatively sizeable contracts awarded to us at the beginning of FY2015/16 (for which our tenders were submitted during EY2014/15) with contract period of two to three years which were expected to take up substantial amounts of our available resources and working capital to execute, thereby limiting our available resources for undertaking additional contracts. Therefore, during FY2015/16, some of the tenders we submitted were less competitive in terms of pricing, as we were not particularly keen on winning such tenders but at the same time we wished, through participating in the tender process, to maintain our relationship with the relevant customers, to maintain our presence in the market, and to be informed of the latest market development and pricing trends. Given our tender strategy and in view of the aggregate amount of original contract sum in respect of the contracts awarded to us during the Track Record Period and our current contracts on hand, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

During the Track Record Period, we had not turned down any projects that were awarded to us due to limitation in our resources, because when we have limited available resources, we normally would either submit less competitive tenders as described in the preceding paragraph or refrain from submitting tenders.

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 and rental of machinery (if applicable)

We possess our own direct labour resources for performing slope works. Depending on the availability of our own resources, we may also subcontract the works to subcontractors. One or more subcontractors 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 generally with reference to those contained in the agreement between our customer and us.

BUSINESS

In addition, we also possess certain machinery (as further discussed in the paragraph headed “Machinery and motor vehicles” below in this section) for carrying out slope works while we may also rent machinery from third parties or require our subcontractors to arrange for machinery where applicable.

Procurement and testing of construction materials

If the works are carried out by our own labour resources without the use of subcontractors, we normally procure the required construction materials by ourselves on a project-by-project basis without maintaining any inventory.

If subcontractors are engaged, we normally procure the required construction materials for our subcontractors with the relevant costs borne by our subcontractors. 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. Alternatively, the required construction materials may also be purchased by us for our subcontractors but the relevant invoices are sent to our subcontractors for their settlement directly with the suppliers of the construction materials.

In respect of our Government projects, construction materials are subject to testing carried by the relevant Government departments before they can be accepted for use in the site works.

Execution, project management and supervision

For the storage of certain machinery and construction materials and for the handling of certain project management matters, we may lease site offices from third parties or set up our temporary offices at depots provided by the CEDD.

The site works are carried out either by our own direct labour resources, or, if subcontractors are engaged, by our subcontractors.

In any event, as the main contractor, we are generally responsible for (i) the supervision of site works carried out by our own direct labours and 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.

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 around three years.

BUSINESS

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 of 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. 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. Depending on the types of works requested in the variation orders, we might obtain quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval.

Payment

We receive progress payment pursuant to the terms of each contract. 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 works completed (including works under variation orders), which normally takes around one to three weeks from the date of application.

Normally, payments for Government 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 while payments for non-Government projects depend on the terms of the relevant contracts with different customers.

We pay our subcontractors with reference to the value of the work done. We will normally verify the actual works completed by our subcontractors during the month as certified by our customers, and deduct the amount of any materials purchased by us on behalf of them. Payments will be made to our subcontractors after conducting such verification process and normally after we receive payments from our relevant customers in respect of the relevant certified portion of works.

The Government has consulted the public on the proposed introduction of security of payment legislation for the construction industry (the “SOPL”) to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry. Based on the consultation document of SOPL, when it comes into force, it will apply to all Government projects undertaken by us as well as all related subcontracts in the contractual chain. Our Directors are of the view that the implementation of the SOPL will not have any significant impact on our business or cash flow management. For further information regarding the SOPL and its possible impact on our Group, please refer to the section headed “Regulatory overview — Proposed legislation on security of payment for the construction industry”.

BUSINESS

Maintenance/defects liability period

Our customers would normally require a maintenance/defects liability period of 12 months. For further information, please refer to the paragraph headed “Customers — Principal terms of engagement — Maintenance/defects liability period” below in this section.

Pricing strategy

Our pricing is generally determined based on certain markup over our estimated costs. 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 inaccurate estimation or cost overruns. In order to minimise the risk of inaccurate estimation and cost overrun, our pricing is overseen by Mr. KS Lau, whose background and experience are disclosed in the section headed “Directors and senior management” in this prospectus, based on our pricing strategy described in the following paragraph. We also manage such risk by allowing sufficient buffers in our pricing for possible inflation and cost increases during the contract period, and obtaining quotations from different suitable suppliers for comparison of prices.

We determine our tender price 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 the preliminary quotations obtained from our subcontractors and/or 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 possibly difficult site conditions; (iii) the completion timeframe requested by our customer; (iv) where applicable, our competitive advantage in relation to the performance ratings of Tai Kam Construction under the Contractors’ Performance Index System; and (v) our available resources and other factors and conditions in general.

Working capital requirements associated with undertaking contract works

Please refer to the paragraph headed “Risk management and internal control systems — (v) Liquidity risk” in this section.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality. Based on our Directors’ experience, tender opportunities for both Government projects and non-Government projects are generally available throughout the year without being clustered in any particular months of the year.

BUSINESS

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

During the Track Record Period, we had been awarded with an aggregate of 13 projects:

	FY2014/15	FY2015/16	Total
Number of projects awarded (<i>Note 1</i>)			
- Government projects	1	4	5
- Non-Government projects	<u>5</u>	<u>3</u>	<u>8</u>
	<u>6</u>	<u>7</u>	<u>13</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding amount of original contract sum in respect of all projects awarded (<i>Note 2</i>)			
- Government projects	19,500	337,542	357,042
- Non-Government projects	<u>9,033</u>	<u>231</u>	<u>9,264</u>
	<u>28,533</u>	<u>337,773</u>	<u>366,306</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 (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).

The following table sets out a breakdown of the number of projects with revenue contribution to us during the Track Record Period by Government and non-Government projects:

	FY2014/15	FY2015/16	Total
Number of projects with revenue contribution to us during the financial year indicated (<i>Note</i>)			
- Government projects	6	8	14
- Non-Government projects	<u>5</u>	<u>4</u>	<u>9</u>
	<u>11</u>	<u>12</u>	<u>23</u>

BUSINESS

	HK\$'000	HK\$'000	HK\$'000
Corresponding amount of revenue recognised during the financial year			
- Government projects	74,871	92,778	167,649
- Non-Government projects	2,812	4,416	7,228
	77,683	97,194	174,877

Note: Projects with revenue contribution to us in both FY2014/15 and FY2015/16 are counted in both financial years in the above table. Out of the 12 projects which contributed revenue to FY2015/16, five projects also contributed revenue to FY2014/15.

The following table sets out a full list of all projects with revenue contribution to us during the Track Record Period, which were all slope works projects undertaken by us as main contractor:

	Customer	Date of our commencement of works	Actual or expected date of completion of works <i>(Note 1)</i>	Total contract sum <i>(Note 3)</i>	Amount of revenue recognised		% of total revenue of our Group	
					FY2014/15	FY2015/16	FY2014/15	FY2015/16
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
1	CEDD	May 2011	August 2015	75,810	9,942	595	12.80	0.61
2	AFCD	May 2012	May 2014	12,000	1,813	—	2.33	—
3	Housing Authority	April 2012	April 2015	20,000	6,691	—	8.61	—
4	CEDD	January 2013	April 2016	86,930	27,242	8,338	35.07	8.58
5	CEDD	September 2013	April 2016	57,870	25,582	29,978	32.93	30.84
6	Housing Authority	October 2014	July 2017	29,500	3,601	13,134	4.64	13.51
7	A tertiary educational institution in Hong Kong	December 2014	April 2016	8,781	2,560	4,185	3.29	4.31
8-14	The manager of a real estate investment trust listed in Hong Kong <i>(Note 2)</i>	On demand with multiple work orders	On demand with multiple work orders	483	252	231	0.33	0.24
15	CEDD	June 2015	March 2018	79,570	—	11,182	—	11.51
16	CEDD	June 2015	March 2018	102,355	—	11,314	—	11.64
17	CEDD	July 2015	October 2017	61,316	—	14,310	—	14.72
18	CEDD	December 2015	June 2018	72,250	—	3,927	—	4.04
Total:				606,865	77,683	97,194	100.00	100.00

BUSINESS

Notes:

1. The expected completion date is based on our management's best estimation. In making the estimation, our management considers the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule up to the Latest Practicable Date.
2. For each of FY2014/15 and FY2015/16, there were an aggregate of four and three projects undertaken by us for this customer respectively. These projects are grouped together for the purpose of presenting in the above table having considered the relatively immaterial amount of revenue recognised therefrom.
3. Total contract sum shown in the above table represents the original contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account subsequent adjustments due to variation orders (see the paragraph headed "Our services — Operation flow — Variation orders (if any)" above in this section), contract price adjustments (see the paragraph headed "Customers — Principal terms of engagement — Contract price adjustment mechanism" below in this section) and other updated information provided by the relevant customer.

PROJECTS ON HAND

As at the Latest Practicable Date, we had a total of five projects on hand (i.e. projects that have commenced but not completed).

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

Customer (Note 1)	Date of our commencement of works	Actual or expected date of completion of works (Note 2)	Total contract sum (Note 3)	Amount of revenue recognised		Amount of revenue expected to	Amount of revenue expected to
				FY2014/15 HK\$'000	FY2015/16 HK\$'000	be recognised be for FY2016/17 HK\$'000	recognised after FY2016/17 HK\$'000
1 Housing Authority	October 2014	July 2017	29,500	3,601	13,134	10,212	2,553
2 CEDD	June 2015	March 2018	79,570	—	11,182	35,680	32,708
3 CEDD	June 2015	March 2018	102,355	—	11,314	47,500	43,541
4 CEDD	July 2015	October 2017	61,316	—	14,310	31,337	15,669
5 CEDD	December 2015	June 2018	72,250	—	3,927	31,534	36,789
		Total:	<u>344,991</u>	<u>3,601</u>	<u>53,867</u>	<u>156,263</u>	<u>131,260</u>

Notes:

1. Project nos. 1, 2, 3, 4 and 5 shown in the above table are the same as project nos. 6, 15, 16, 17 and 18 shown in the list of projects under the paragraph headed "Projects undertaken during the Track Record Period" above, respectively.
2. The expected completion date is based on our management's best estimation. In making the estimation, our management considers the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule up to the Latest Practicable Date.

BUSINESS

3. Total contract sum shown in the above table represents the original contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account subsequent adjustments due to variation orders (see the paragraph headed “Our services — Operation flow — Variation orders (if any)” above in this section), contract price adjustments (see the paragraph headed “Customers — Principal terms of engagement — Contract price adjustment mechanism” below in this section) and other updated information provided by the relevant customer.

Backlog

As at 30 April 2015 and 2016 and 31 August 2016, we had a total of five, five, and five projects in our backlog, with revenue derived or expected to be derived from such projects as follows:

	As at 30 April 2015	As at 30 April 2016 <i>(Note 1)</i>	As at 31 August 2016 <i>(unaudited)</i> <i>(Note 2)</i>
Number of projects in our backlog	5	5	5
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract sum in respect of such projects <i>(Note 3)</i>	258,891	344,991	344,991
Total revenue attributable to such projects yet to be recognised as at the date indicated	<u>56,230</u>	<u>287,523</u>	<u>254,441</u>

Notes:

1. Out of the five projects in our backlog as at 30 April 2016, one project commenced in FY2014/15.
2. Out of the five projects in our backlog as at 31 August 2016, one project commenced in FY2014/15 and four projects commenced in FY2015/16.
3. The contract sum in respect of each contract represents the original contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account subsequent adjustments due to variation orders (see the paragraph headed “Our services — Operation flow — Variation orders (if any)” above in this section), contract price adjustments (see the paragraph headed “Customers — Principal terms of engagement — Contract price adjustment mechanism” below in this section) and other updated information provided by the relevant customer.

BUSINESS

LICENCES AND QUALIFICATIONS

Licences and qualifications obtained

As confirmed by our Directors and as advised by our Legal Counsel, our Group had obtained all material licences, qualifications 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, qualifications and approvals that we had obtained:

1. *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” with a confirmed status*

Tai Kam Construction 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 Government slope works contracts.

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. Approved specialist contractors under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” (such as Tai Kam Construction) have either 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 number of approved specialist contractors included in the List of Approved Specialist Contractors for Public Works under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” was as follows:

	Number of approved specialist contractors as at the Latest Practicable Date
Landslip Preventive/Remedial Works to Slopes/Retaining Walls	
- On probation	16
- Confirmed	<u>22</u>
Total	<u><u>38</u></u>

BUSINESS

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 in respect of the “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” category with a confirmed status are summarised as follows:

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 there are 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 Government and non-Government projects (applicable to contractors who have both employed capital and working capital of not less than HK\$4.20 million respectively (*Note 3*)). To ascertain that the required financial criteria are met, Tai Kam 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 cash and bank balances, certain available banking facilities and certain liquid assets, less current liabilities.
3. According to the Contractor Management Handbook — Revision B published by the Development Bureau of the Government, for contractors which have outstanding contracts on hand and whose employed capital and working capital are both not less than HK\$4.20 million, the working capital requirement is the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts. For contractors which have outstanding contracts on hand and which have either employed capital or working capital less than HK\$4.20 million, the working capital requirement is HK\$8,600,000 or 15% of the combined annual value of uncompleted works on outstanding contracts.

BUSINESS

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 “Registered Specialist Contractor (Site Formation Works)” below for further details).
- Maintaining the relevant quality management system certification (see the paragraph headed “Quality control” below in this section for our quality management system certification).
- Having employed and retained appropriate management staff, professional staff, technical staff, and safety staff, and having achieved the passing scores determined based on the qualifications and background of such staff employed and retained by the contractor (see the section headed “Directors and senior management” in this prospectus for the background and qualifications of our relevant personnel).

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

Our status on the List of Approved Specialist Contractors for Public Works is not subject to regular renewal. However, 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. 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 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 had not been subject to any regulatory action from the Development Bureau of the Government. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, 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 category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls”.

As confirmed by our Directors and as advised by our Legal Counsel, there is no foreseeable legal impediment for Tai Kam 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”.

BUSINESS

2. *Registered Specialist Contractor (Site Formation Works)*

In relation to non-Government projects, under the Buildings Ordinance, a person is required to appoint a Registered Specialist Contractor to carry out specialised works (such as site formation works). 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. In connection with the aforesaid requirements under the Buildings Ordinance, customers of non-Government projects would normally engage contractors who are so registered to undertake specialised contract works.

In addition, one of the requirements for Tai Kam 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.

In view of the above, Tai Kam Construction has completed the following registration:

Registration	Granted by	Granted to	Date of first registration	Upcoming expiry date
Registered Specialist Contractor (Site Formation Works)	Buildings Department	Tai Kam Construction	20 April 2006	28 March 2018

In order for Tai Kam Construction to apply for and maintain the registration as a Registered Specialist Contractor (Site Formation Works), Tai Kam 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 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, one of the requirements is that Tai Kam 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. During the Track Record Period, the roles of authorised signatory and technical director of Tai Kam Construction were both taken up by Mr. KS Lau. In this connection, we have the following succession and contingency plan in place:

- (i) In January 2016, Tai Kam Construction has made an application to the Buildings Department for one of our employees (who was an authorised signatory of another company before 2016) to take up the role of authorised signatory of Tai Kam Construction and for

BUSINESS

Mr. Sanny Lau to take up the role of technical director of Tai Kam Construction. The said employee and Mr. Sanny Lau possess the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the positions of authorised signatory and technical director respectively. In August 2016, the applications were approved by the Buildings Department and the said employee was appointed as an additional authorised signatory of Tai Kam Construction and Mr. Sanny Lau was appointed as an additional technical director of Tai Kam Construction.

- (ii) As at the Latest Practicable Date, Mr. Chen Talent, a member of our senior management, possessed the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of authorised signatory of Tai Kam Construction. In addition, as at the Latest Practicable Date, Mr. MC Lau possessed the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of technical director of Tai Kam Construction. When necessary, applications will be made to the Buildings Department for Mr. Chen Talent to take up the role of authorised signatory of Tai Kam Construction and for Mr. MC Lau to take up the role of technical director of Tai Kam Construction.

If we are appointed by our customer to act as a Registered Specialist Contractor for a non-Government project 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 quality control in operating our business, which are discussed in the paragraph headed “Quality control” below in this section. Please also refer to the section headed “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 registration as a Registered Specialist Contractor (Site Formation Works) 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.

As confirmed by our Directors and as advised by our Legal Counsel, there is no foreseeable material legal impediment in the renewal of the registration as a Registered Specialist Contractor (Site Formation Works) by us.

3. *Others*

Tai Kam Construction is also an approved contractor included in the List of Approved Contractors for Public Works under the category of “Roads and Drainage (Group A)” and a Registered General Building Contractor registered with the Buildings Department. The upcoming expiry date of Tai Kam Construction’s registration as a Registered General Building Contractor is 14 January 2017. During the Track Record Period, all of our projects with revenue contribution to us were slope works projects and it is also our business strategy to focus on undertaking slope works projects in the future. During the Track Record Period, none of our projects with revenue contribution to us required us to be included in the List of Approved Contractors for Public Works under the category of “Roads and Drainage (Group A)” nor be a Registered General Building Contractor.

Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009

A fatal accident that took place in December 2007 resulted in a temporary suspension of Tai Kam Construction from tendering for public slope works contracts for eight months from 31 December 2008 to 30 August 2009.

On 4 December 2007, a fatal accident occurred on a private works site involving certain slope improvement works where a worker employed by a subcontractor of Tai Kam Construction was struck by an air compressor and sustained a fatal injury while he was transporting the compressor down an inclined driveway.

According to a letter dated 31 December 2008 from the Works Branch of the Development Bureau of the Government to Tai Kam Construction, a panel of enquiry concluded that there were deficiencies in the safety management system of Tai Kam Construction which had contributed to the occurrence of the accident. Tai Kam Construction was requested to voluntarily refrain from tendering for public works contracts under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” for a period of eight months from 31 December 2008, and to carry out an independent safety audit on site to demonstrate the satisfactory performance of an improved safety management system. The suspension from tendering was to be lifted only after the expiry of the eight-month period, or until the Development Bureau of the Government was satisfied with the outcome of the safety audit and the improvement made by Tai Kam Construction, whichever was later. Tai Kam Construction had agreed to such arrangement.

According to a letter dated 26 August 2009 from the Works Branch of the Development Bureau of the Government to Tai Kam Construction, a safety audit was conducted in April 2009 and the audit report together with an improvement action plan and a situation report were submitted on 26 May 2009. Having considered the submissions in full, the Secretary for Development was satisfied with the improvements made by Tai Kam Construction in respect of site safety. Such improvements mainly included (i) implementing enhanced safety procedures for mobilising air compressors and other heavy plants; (ii) providing safety training and toolbox talks to workers on various work-related matters; (iii) providing enhanced display and distribution of safety-related information; (iv) implementing enhanced safety-related internal communication and record-keeping procedures; (v) improving site

BUSINESS

facilities and conditions; and (vi) implementing other miscellaneous safety measures. Therefore, the aforesaid suspension was lifted upon the expiry of the eight-month period and Tai Kam Construction could resume tendering for slope works with effect from 31 August 2009.

The fatal accident did not result in any criminal charges or convictions (whether labour safety-related or not) against Tai Kam Construction or any of our Directors.

Our Directors consider that the aforesaid temporary suspension had no material impact on our business and financial position and prospects during the Track Record Period and going forward because:

- (i) the fatal accident took place on 4 December 2007, which was more than eight years ago;
- (ii) the Secretary for Development was satisfied with the improvements made by Tai Kam Construction in respect of site safety according to a letter dated 26 August 2009 from the Works Branch of the Development Bureau of the Government;
- (iii) the suspension was temporary and Tai Kam Construction was allowed to resume tendering for public slope works upon the expiry of the aforesaid eight-month period, i.e. with effect from 31 August 2009;
- (iv) Tai Kam Construction was able to tender for, and has been successfully awarded with, various Government slope works contracts during the Track Record Period as discussed in the paragraph headed “Projects undertaken during the Track Record Period” above in this section;
- (v) since 1 April 2016, the occupational health and safety management system of Tai Kam Construction has been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards and our Directors consider that our safety record during the Track Record Period has been satisfactory given in particular the fact that our Group recorded only one alleged workplace accident during the Track Record Period, as further discussed in the paragraph headed “Occupational health and safety” below in this section; and
- (vi) Tai Kam Construction’s quarterly performance ratings under the Contractors’ Performance Index System as appraised by the Development Bureau of the Government were either above the average rating or equal to the highest rating among all contractors being rated under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” for the last nine consecutive quarters up to the second quarter of 2016, where “site safety” is the most significant attribute that carries the highest weighting when calculating a contractor’s performance rating.

BUSINESS

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers primarily included (a) for Government projects, the CEDD, the Housing Authority and the AFCD; and (b) for the non-Government projects undertaken by us, a tertiary educational institution in Hong Kong and the manager of a real estate investment trust listed in Hong Kong.

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 our customers and us contain terms and conditions relating to the contract price, contract period, the scope of work and the payment terms. Some of the contracts may also contain retention money clause, contract price adjustment mechanism, 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 Government projects in general. Retention money withheld is normally released to us after the receipt of completion certificate and/or the expiry of the defect liability period.

As at 30 April 2015 and 2016, our retention receivables amounted to approximately HK\$2.84 million and HK\$4.10 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 Government contracts provided 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 Government Construction Projects” published by the Census and Statistics Department of the Government (the “**Index Numbers**”).

BUSINESS

Before submitting a tender, we make reference to the recent Index Numbers for estimating our costs of labour and materials involved in the project, so as to determine our tender price based on our general cost-plus pricing strategy as disclosed in the paragraph headed “Our services — Pricing strategy” above in this section.

Under the contract price adjustment mechanism, if there shall be any increase or decrease in the relevant Index Numbers (by comparing the applicable Index Numbers shortly before the commencement of the relevant works performed by us with the applicable Index Numbers shortly before the tender submission), an appropriate corresponding increase or decrease shall be incorporated in determining the value of the relevant works completed by us. Thus, the corresponding amount of contract price payable to us shall be increased or decreased accordingly pursuant to the calculation mechanism stated in the contract.

During the Track Record Period, we experienced downward adjustments which amounted to nil and approximately HK\$0.27 million for each of FY2014/15 and FY2015/16 respectively, as well as upward adjustments which amounted to approximately HK\$2.95 million and HK\$2.27 million for each of FY2014/15 and FY2015/16 respectively. The aggregate amount of net increase in contract price received by us as a result of contract price adjustments (after taking into account both upward and downward adjustments) amounted to approximately HK\$2.95 million and HK\$2.00 million for each of FY2014/15 and FY2015/16 respectively, representing approximately 3.80% and 2.05% of our total revenue for the respective financial years. Given the above as well as the fact that for works executed by our own resources where the costs of materials are borne by us, any upward (or downward) adjustments under the contract price adjustment mechanism would have generally been caused by an increase (or decrease) in the costs of construction materials, thereby having a corresponding upward (or downward) effect on our direct costs, our Directors consider that the contract price adjustment mechanism will not have any material impact on our business operation or financial position.

Liquidated damages

Some contracts 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. Liquidated damages are typically levied at a rate stipulated in the relevant contract on a daily basis.

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.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any liquidated damages.

BUSINESS

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 works contracts between the Government and a contractor that the Government is entitled to terminate a works 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 of the relevant works contract. 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. If subcontractors are engaged, 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, depending on whether the original works were carried out by ourselves or by our subcontractors, we will either rectify the defects on our own or require our relevant subcontractor to do so and to bear all the associated rectification costs.

Top customers

For each of FY2014/15 and FY2015/16, the percentage of our total revenue attributable to our largest customer amounted to approximately 80.80% and 81.94% respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to 100% and 100% respectively.

BUSINESS

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

For FY2014/15:

Rank	Customer	Principal business activities	Year(s) of business relationship	Typical credit terms and payment methods	Revenue derived from the customer	
					HK\$'000	%
1	CEDD	A Government department which provides public civil engineering services in Hong Kong	7	Within 21 days from the issue of payment certificate; mainly by bank transfer	62,766	80.80
2	Housing Authority	A statutory body which develops and implements Hong Kong's public housing programme	9	Within 21 days from the issue of payment certificate; mainly by cheque or bank transfer	10,292	13.25
3	Customer I	A tertiary educational institution in Hong Kong	2	Within 21 days from the issue of payment certificate; mainly by cheque	2,560	3.29
4	AFCD	A Government department which provides services to the public in connection with agriculture and fisheries, nature conservation and animal, plant and fisheries regulation	4	Within 21 days from the issue of payment certificate; mainly by bank transfer	1,813	2.33
5	Customer II	The manager of a real estate investment trust listed in Hong Kong	4	60 days upon application for payment, mainly by cheque	252	0.33
Total revenue for the financial year					77,683	100.00

BUSINESS

For FY2015/16:

Rank	Customer	Principal business activities	Year(s) of business relationship	Typical credit terms and payment methods	Revenue derived from the customer	
					HK\$'000	%
1	CEDD	A Government department which provides public civil engineering services in Hong Kong	7	Within 21 days from the issue of payment certificate; mainly by bank transfer	79,644	81.94
2	Housing Authority	A statutory body which develops and implements Hong Kong's public housing programme	9	Within 21 days from the issue of payment certificate; mainly by cheque or bank transfer	13,134	13.51
3	Customer I	A tertiary educational institution in Hong Kong	2	Within 21 days from the issue of payment certificate; mainly by cheque	4,185	4.31
4	Customer II	The manager of a real estate investment trust listed in Hong Kong	4	60 days upon application for payment, mainly by cheque	231	0.24
Total revenue for the financial year					97,194	100.00

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

Customer concentration

For each of FY2014/15 and FY2015/16, our revenue generated from contracts awarded by CEDD represented approximately 80.80% and 81.94% of our Group's total revenue respectively. Our Directors consider that such customer concentration is not uncommon for construction companies in

BUSINESS

Hong Kong which mainly undertake public works and particularly slope works, and that our Group's business model is sustainable despite such customer concentration having regard 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 overview — Landslip Prevention and Mitigation Programme" of this prospectus for further details of the Landslip Prevention and Mitigation Programme). Any necessary slope 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 minimise 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\$19.6 billion on LPM studies and works from 1977 up to 30 September 2015, with about 5,400 Government man-made slopes upgraded, about 5,700 studies of private man-made slopes completed, and mitigation measures for 142 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 2015 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.
- (v) Contracts for Government 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.

BUSINESS

- (vi) To tender for Government slope works contracts, 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”. 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 38 such approved specialist contractors, among which 16 were on probation and 22 had a confirmed status (including Tai Kam Construction). 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.

Collection of our trade receivables and retention receivables

We had concentration of credit risk as approximately 64.58% and 61.16% of our total trade and other receivables as at 30 April 2015 and 2016 respectively were due from CEDD, our largest customer. The aggregate amounts of trade and retention receivables amounted to approximately HK\$6.77 million and HK\$8.22 million from CEDD as at 30 April 2015 and 2016 respectively. Despite such concentration, as the majority of our revenue during the Track Record Period was derived from CEDD, which is a Government department, 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 appropriate follow-up actions (including 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.

INVENTORIES

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

BUSINESS

SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business included (i) our subcontractors; (ii) suppliers of construction materials and consumables required for slope works such as steel bars, concrete, cement and diesel; and (iii) suppliers of other miscellaneous services such as transportation and rental of machinery, and testing and surveying of the quality of materials. During the Track Record Period, our suppliers were located in Hong Kong and our purchases were denominated in HK\$.

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

	FY2014/15		FY2015/16	
	HK\$'000	%	HK\$'000	%
Subcontracting charges	39,850	82.54	45,230	80.10
Purchase of construction materials and consumables	4,837	10.02	6,988	12.38
Testing and survey	1,676	3.47	2,151	3.81
Transportation expenses	915	1.90	754	1.34
Rent	279	0.58	551	0.97
Others	722	1.49	792	1.40
Total purchases	<u>48,279</u>	<u>100.00</u>	<u>56,466</u>	<u>100.00</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.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that we are generally able to pass on substantial increase in purchase costs to our customers as we generally take into account our overall costs of undertaking a project when determining our tender price.

Principal terms of engagement of subcontractors and other suppliers

We have not entered into any long-term agreement or committed to any minimum purchase amount with our subcontractors or other suppliers.

BUSINESS

The principal terms of engagement of our subcontractors generally include, among other things:

- (i) the scope of works, which generally includes portions of the slope works specified in the main contract entered into between us and our customers;
- (ii) the contract price, specifying the amounts, payment schedule, payment method and credit terms;
- (iii) the location of work site at which works are to be performed and the staff arrangements at the relevant sites; and
- (iv) other miscellaneous job arrangement details, including details as to which party shall be responsible for various costs involved in the works (such as the costs of materials, testing and surveying, insurance, and transportation of machinery), and the requirements for the subcontractor to comply with the relevant rules and regulations regarding safety and environmental matters.

We are typically offered by our subcontractors a credit period of seven working days upon the receipt of payments by us from our customers.

In respect of our purchases of goods and services from other suppliers, we generally place an order with our supplier for each purchase. In general, our suppliers offer us a credit period ranging from approximately zero to 30 days from the invoice date.

Top suppliers

For each of FY2014/15 and FY2015/16, the percentage of our total purchases from our largest supplier amounted to approximately 47.05% and 39.40% of our total purchases respectively, while the percentage of our total purchases from our five largest suppliers combined amounted to approximately 74.61% and 71.97% of our total purchases respectively.

BUSINESS

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

For FY2014/15

Rank	Supplier	Principal business activities	Type of goods or services purchased by us	Year(s) of business relationship	Typical credit terms and payment methods	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier A	Construction contractor	Subcontracting of slope works	3	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	22,713	47.05
2	Supplier B	Construction contractor	Subcontracting of slope works	5	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	7,930	16.43
3	Supplier C	Construction contractor	Subcontracting of slope works	4	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	2,272	4.70
4	Supplier D	Construction contractor	Subcontracting of slope works	8	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	1,623	3.36
5	Supplier E	Construction contractors	Subcontracting of slope works	2	Within 7 working days upon receipt of payments by us from our customers, mainly by cheque	1,482	3.07
					Five largest suppliers combined	36,020	74.61
					All other suppliers	12,259	25.39
					Total purchases	48,279	100.00

BUSINESS

For FY2015/16

Rank	Supplier	Principal business activities	Type of goods or services purchased by us	Year(s) of business relationship	Typical credit terms and payment methods	Purchases by us from the supplier		
						HK\$'000	%	
1	Supplier A	Construction contractor	Subcontracting of slope works	3	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	22,248	39.40	
2	Supplier F	Construction contractor	Subcontracting of slope works	Less than 1	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	10,411	18.44	
3	Supplier C	Construction contractor	Subcontracting of slope works	4	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	4,061	7.19	
4	Supplier G	Construction materials supplier	Concrete	7	Payment upon delivery; mainly by cheque	2,058	3.65	
5	Supplier D	Construction contractor	Subcontracting of slope works	8	Within 7 working days upon receipt of payments by us from our customers; mainly by cheque	1,860	3.29	
						Five largest suppliers combined	40,638	71.97
						All other suppliers	15,828	28.03
						Total purchases	56,466	100.00

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the 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.

Supplier concentration

Our top five suppliers accounted for approximately 74.61% and 71.97% of our total purchases for each of FY2014/15 and FY2015/16 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 sums 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;

BUSINESS

- our Directors consider that there is a higher level of reliance by our subcontractors on us than the other way round because there are various 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” were only 38 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 some of our works when acting as the 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 undertake works at times when the availability of our own labour resources is limited. Nevertheless, our Directors consider that holding all else the same, the use of our own labour resources (as compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors. Therefore, it is the current business strategy of our Directors to undertake additional slope works contracts to be executed by our own direct labour resources without any substantial use of subcontractors, as discussed in the paragraph headed “Business strategy” above in this section.

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 (i) technical capability, including the skillsets and qualifications of their personnel, the certifications obtained regarding their quality and environmental management systems, and their relevant licences and registrations obtained from the Buildings Department and/or other relevant Government authorities; (ii) track records, including the number of and their performance in their previously completed slope works projects, the past experience of working with us, and their general reputation in the market; (iii) labour resources, including the types and number of workers employed, their qualifications and experience, and their prevailing workload and availability for undertaking the works; (iv) sufficiency of equipment, including the types and number of the relevant machinery and equipment owned and/or rented that are required for the performance of the slope works and their availability; and (v) safety performance, including the number, frequency and seriousness of accidents occurred in the past and the certifications obtained regarding their safety management system. 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.

BUSINESS

Control over subcontractors

In order to closely monitor the performance of our subcontractors and to ensure that our 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 our internal control measures in relation to quality control, safety and environmental compliance. We also send our own personnel to the work sites 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.

MACHINERY AND MOTOR VEHICLES

We possess certain machinery and motor vehicles for use in our operation. Our owned machinery and motor vehicles mainly include:



- (i) air compressors, which are used in providing energy (stored in the form of compressed air) for other machinery;



- (ii) solar hot water system, which is used in providing hot water by using solar energy for use in a depot;



- (iii) crane trucks, which are used in lifting and transportation of construction materials and equipment; and

BUSINESS



- (iv) station wagons, which are used in transportation of on-site management personnel and workers between different work sites and depots.

Our machines are normally either in use at work sites or stored in depots provided by CEDD in respect of our ongoing slope works projects.

Our Group has also leased certain machinery and equipment from third parties for use in our slope works where necessary, such as generators. For each of FY2014/15 and FY2015/16, machinery and equipment rental costs incurred by us amounted to approximately HK\$48,000 and HK\$67,000 respectively.

Our Directors consider that our existing owned machinery and motor vehicles as at the Latest Practicable Date were in good operating conditions in general. Our owned machinery and motor vehicles had been in use for approximately one month to 10 years up to the Latest Practicable Date. The estimated remaining useful life of our owned air compressors, solar hot water system and motor vehicles was approximately three years, five years and from three to five years, respectively, as at the Latest Practicable Date. We continuously monitor the operating conditions of our owned machinery and motor vehicles, based on which we make replacement and/or repair and maintenance decisions on an ongoing basis. Repair and maintenance works are carried out by external mechanics engaged by us as needed. We do not have a pre-determined or regular replacement cycle for our machinery, as replacement decisions are made on a case-by-case basis having regard to factors such as the feasibility and cost of repairing only the worn-out or malfunctioning parts and the cost of replacing the entire machine or motor vehicle with a new one.

For each of FY2014/15 and FY2015/16, our additions of machinery and motor vehicles amounted to approximately HK\$1,444,000 and HK\$648,000 respectively, and we incurred repair and maintenance expenses for our machinery and motor vehicles of approximately HK\$91,000 and HK\$137,000 respectively. For the depreciation method of these machinery and motor vehicles, please refer to note 2.4 in section II of the accountants' report set out in Appendix I to this prospectus.

MARKETING

During the Track Record Period, we had not engaged in any significant marketing activities other than liaising with our customers for relationship building and management. This was because the majority of our revenue was derived from Government projects, which are normally awarded through open tendering procedures. Our Directors consider that in order to obtain new Government contracts through open tendering procedures, we should focus on:

- (i) maintaining our qualification as 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" with a confirmed status so as to be eligible to tender for public slope works contracts; and

BUSINESS

- (ii) maintaining our high performance ratings under the Contractors' Performance Index System administered by the Development Bureau of the Government by delivering high quality services.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed "Risk factors" in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

(i) **Customer concentration risk**

Please refer to the paragraph headed "Customers — Customer concentration" above in this section.

(ii) **Risk of potential inaccurate cost estimation and cost overrun**

Please refer to the paragraph headed "Our services — Pricing strategy" above in this section.

(iii) **Risk relating to subcontractors' performance**

Please refer to the paragraphs headed "Suppliers — Basis of selection of subcontractors" and "Suppliers — Control over subcontractors" above in this section.

(iv) **Credit risk relating to the collection of trade receivables and retention receivables**

Please refer to the paragraph headed "Customers — Collection of our trade receivables and retention receivables" above in this section.

(v) **Liquidity risk**

Under a typical contract undertaken by us, we do not receive any upfront payments or deposits from our customers prior to the commencement of work. However, there are costs which are typically incurred at an early stage of a project before we receive any payments from customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, insurance, materials and/or subcontracting services. In addition, throughout the execution of a contract, we typically receive payments for works that have been performed, for which we would have incurred costs (including costs of labours, materials and/or subcontracting services) that are also required to be paid from our available financial resources. Furthermore, some of the contracts undertaken by us may contain retention money clauses whereby our customers may hold up a certain percentage of each payment made to us as retention money, which also affect our liquidity position.

BUSINESS

In addition, Tai Kam 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”, which is a prerequisite for tendering for public slope works projects. 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 details, please refer to the paragraph headed “Licences and qualifications” above in this section. Our working capital is affected by various factors, including 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 qualifications” in this section.

During the Track Record Period, we maintained certain banking facilities which were obtained by us in order to ensure that we were able to satisfy the aforesaid working capital requirement applicable to approved specialist contractors included in the List of Approved Specialist Contractors for Public Works, having considered the value of our projects as well as our available cash level and other liquid resources from time to time and the fact that the available unutilised amount from those banking facilities were counted towards our available working capital for the purpose of satisfying the aforesaid working capital requirement.

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

- Before undertaking each new contract, our finance department, currently led by our financial controller (namely, Ms. Ho Man Wai, 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.
- 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.
- If, based on the regular monitoring by our financial controller, there is any expected shortage of internal financial resources, we will consider different financing alternatives, including obtaining adequate committed lines of funding from banks and other financial institutions.

BUSINESS

(vi) **Quality control system**

Please refer to the paragraph headed “Quality control” below in this section.

(vii) **Occupational health and safety system**

Please refer to the paragraph headed “Occupational health and safety” below in this section.

(viii) **Environmental management system**

Please refer to the paragraph headed “Environmental compliance” below in this section.

(ix) **Supplier concentration risk**

Please refer to the paragraph headed “Suppliers — Supplier concentration” above in this section.

(x) **Risk of employing illegal workers**

Please refer to the paragraph headed “Employees — Measures to prevent employing illegal workers” below in this section.

(xi) **Corporate governance measures**

Our Company will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management — Board committees” in this prospectus. In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our Audit Committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders — Corporate governance measures” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

BUSINESS

(xii) Risk relating to compliance with the GEM Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the GEM Listing Rules after Listing:

- In April 2016, 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.
- We established the Audit Committee which comprises all independent non-executive Directors, namely Mr. Yim Kin Ping, Ms. Wong Yuk King and Mr. Ho Cheuk Wai. The Audit Committee has adopted its terms of reference which set 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.
- Our Company has engaged Dakin Capital Limited as our compliance adviser and will, upon Listing, engage our legal advisers as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.
- 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.

QUALITY CONTROL

Tai Kam Construction obtained the ISO 9001:2008 certification in October 2006 certifying its quality management system to be in accordance with the requirements of the ISO 9001:2008 standards. The ISO 9001:2008 was revised to ISO 9001:2015 in September 2015. The revision was designed to respond to the latest trends and be compatible with other management systems such as ISO 14001. A three-year transition period was granted after the revision had been published to allow companies to migrate their quality management system to the new edition of the standard. Tai Kam Construction had obtained the ISO 9001:2015 certification in September 2016 upon the expiry of its previous ISO 9001:2008 certification.

Our business is operated under a set of procedures that conforms to the ISO 9001:2015 quality standards. Our procedures specify, among other things, specific work procedures for performing site works as well as management process, tendering process, 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.

BUSINESS

Personnel responsible for our overall quality assurance include Mr. KS Lau, Ms. Yip Mei Po Mabel and Mr. Chen Talent. For details of their biographical information, please refer to the section headed “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 18001:2007 standards in order to provide our employees and our subcontractors’ employees with a safe and healthy working environment. Since April 2016, the occupational health and safety management system of Tai Kam 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), Tai Kam 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 independent safety auditors registered under the Factories and Industrial Undertakings (Safety Management) Regulation to conduct such semi-annual safety audit on Tai Kam Construction as required under the Factories and Industrial Undertakings (Safety Management) Regulation. In the four semi-annual audits conducted during the Track Record Period, Tai Kam Construction achieved an average overall score of over 95%. Major findings and recommendations made by the safety auditor during the aforesaid four semi-annual audits and the corresponding measures implemented by our Group are as follows:

Major findings and recommendations	Corresponding measures implemented	Timing of implementation
Arrangements should be made to ensure that safety management training was given to all managers and site agents.	Safety management training was given to all managers and site agents and their participation status was checked.	May 2015

BUSINESS

Major findings and recommendations	Corresponding measures implemented	Timing of implementation
Arrangements should be made to ensure that site inspections included checks on the level of compliance with safety standards and procedures.	Senior management is required to have monthly inspections and to ensure that site inspections included checks on the level of compliance with safety standards and procedures.	May 2015
Arrangements should be made to ensure that analysis of results of safety inspections are discussed with site management.	Site safety committee meetings were held among site management and charts were used for the analysis of results of safety inspections.	May 2015
Arrangements should be made to ensure that subcontractors participate in conducting risk assessment and recommending a safe system of work before commencement of works.	Pre-works meetings and site safety committee meetings were held to discuss the risks with subcontractors before commencement of works.	May 2015
Company safety management committee meetings should be held in three-month intervals.	Schedule of company safety management committee meetings were prepared to ensure that meetings were held in three-month intervals.	October 2015

We maintain an internal record of accidents. 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.

We recorded a fatal accident which took place on 4 December 2007 and which resulted in a temporary suspension of Tai Kam Construction from tendering for public slope works contracts for eight months. For further details, please refer to the paragraph headed "Licences and qualifications — Temporary suspension from tendering for public slope works for eight months from 31 December 2008 to 30 August 2009" above in this section.

BUSINESS

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:

	FY2014/15	FY2015/16	From 1 May 2016 to the Latest Practicable Date
Number of accidents resulting in injuries of:			
- our employees	—	—	—
- our subcontractors' employees	—	1	1
	—	1	1
	—	1	1

During FY2014/15, we did not record any accidents causing injuries or deaths to any of our employees or our subcontractors' employees. During FY2015/16, there was one alleged accident involving a subcontractor's employee who claimed to have injured his left knee in the course of work as his left leg was trapped by a slope and, up to the Latest Practicable Date, no claims had been brought against us as a result of such alleged injury. During the period from 1 May 2016 to the Latest Practicable Date, there was one incident causing injury to the right hand of an employee of one of our subcontractors during his use of a hand tool in the course of work, which did not result in any sick leave or any days of temporary incapacity. As at the Latest Practicable Date, no claims have been brought against us as a result of such incident.

In addition, there were certain accidents occurred before the Track Record Period that led to claims brought against us during the Track Record Period and up to the Latest Practicable Date, details of which are disclosed in the paragraph headed "Litigation and claims" in this section.

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).

ENVIRONMENTAL COMPLIANCE

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

BUSINESS

We are committed to the minimisation of any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we have established an environmental management system in accordance with the ISO 14001:2015 international standards. In April 2016, the environmental management system of Tai Kam Construction was certified to be in accordance with the requirements of the ISO 14001:2004 standards, and has been further certified to be in accordance with the requirement of the ISO 14001:2015 standards since September 2016. 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 some of our Government 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. 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 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 and providing environmental training for on-site workers.

Some of our owned machinery (mainly including air compressors) as at the Latest Practicable Date were subject to the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong) and the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). For details, please refer to the relevant paragraphs set out in the section headed “Regulatory overview — Environmental Protection” in this prospectus.

For each of FY2014/15 and FY2015/16, we incurred approximately HK\$140,000 and HK\$193,000 respectively directly in relation to the compliance with applicable environmental requirements, which mainly consisted of waste disposal charges. 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.

BUSINESS

Employees' compensation insurance

Pursuant to section 40 of the Employees' Compensation Ordinance, no employer (including contractors and subcontractors) shall employ any employee unless the employee (including full-time and part-time employees) is covered by an insurance policy for the employer's liabilities under both the Employees' Compensation Ordinance and at common law for injuries at work. 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, our employees' compensation insurance policies provided for a maximum limit of liability of up to HK\$200 million per event.

Our Group had taken out insurance policies covering the liabilities of our Group and our subcontractors in relation to work injuries during the Track Record Period. To the best of our Directors' knowledge and belief, our subcontractors had not taken out insurance policies on their own for additional insurance coverage for our projects undertaken during the Track Record Period. As advised by our Legal Counsel, this is in compliance with the Employees' Compensation Ordinance because according to sections 40(1B) and 40(1E)(d) of the Employees' Compensation Ordinance, where a principal contractor has taken out a policy of insurance as required, the principal contractor as well as the subcontractors insured under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance in relation to the requirement of taking out insurance policies for employer's liabilities in respect of work injuries.

Contractors' all risks insurance

During the Track Record Period, we had taken out contractors' all risk insurance policies for all projects undertaken by us as main contractor. Contractors' all risk insurance covers 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; and (ii) loss of or damage to our motor vehicles and third-party liability in relation to the use of our motor vehicles.

BUSINESS

Uninsured risks

Certain risks disclosed in the “Risk factors” section in this prospectus, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to maintain and renew our licences, our ability to retain and attract personnel, liquidity and working capital needs, supplier concentration, subcontractors’ availability and performance, and credit risk in relation to the collectability of our trade and other receivables, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control systems” above in this section for further details regarding how our Group manages certain uninsured risks.

AWARDS AND RECOGNITIONS

The following table summarises the awards and recognitions obtained by Tai Kam Construction during the Track Record Period:

Date	Award or recognition	Issuing organisation	Description
May 2014	Certificate of Silver Award	Construction Industry Council, Development Bureau of the Government and Hong Kong Construction Association	Tai Kam Construction was awarded the Certificate of Silver Award in Innovative Safety Initiative Award 2014 under the Health and Welfare Category
May 2014	Bronze Award	Development Bureau of the Government and Construction Industry Council	Tai Kam Construction was awarded the Bronze Award in the 20th Considerate Contractors Site Award Scheme under Public Works - New Works
February 2015	First runner-up	CEDD	Tai Kam Construction was awarded the first runner-up in the Best LPM Contractor Competition 2014 under the Landslip Prevention and Mitigation Programme organised by CEDD

BUSINESS

Date	Award or recognition	Issuing organisation	Description
May 2015	Merit	Development Bureau of the Government and Construction Industry Council	Tai Kam Construction was awarded the Merit Award in the 21st Considerate Contractors Site Award Scheme under Public Works - New Works
February 2016	First runner-up	CEDD	Tai Kam Construction was awarded the first runner-up in the Best LPM Contractor Competition 2015 under the Landslip Prevention and Mitigation Programme organised by CEDD

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 89 employees (including our three executive Directors but excluding our 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 2015	As at 30 April 2016	As at the Latest Practicable Date
Directors and general management	3	3	3
Administration, accounting and finance	1	2	2
Project management, supervision and execution	59	62	79
Safety officers	<u>3</u>	<u>5</u>	<u>5</u>
Total	<u><u>66</u></u>	<u><u>72</u></u>	<u><u>89</u></u>

Relationship with staff

Our Directors consider that we have maintained a good relationship with our employees. We had not experienced any significant problems with our employees or any material 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.

BUSINESS

Measures to prevent employing illegal workers

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 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 (Chapter 115 of the Laws of Hong Kong)” in this prospectus.

We have not been convicted or prosecuted 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) in the past in respect of work sites over which we had or have control or of which we are or were in charge.

To satisfy the aforesaid requirements under the Immigration Ordinance, we have put in place the following measures to prevent employing 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 from entering the site;
- our on-site staff 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, a labour officer is required to be assigned for each CEDD project who shall be responsible for, among other things, inspecting the personal identification document of each worker.

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.

BUSINESS

We provide various types of training to our employees and sponsor our employees to attend various training courses covering areas such as technical knowledge relating to the carrying out of slope works, safety, first aids, and environmental matters. Such training courses include our internal trainings as well as courses organised by external parties such as the Construction Industry Council, the Occupational Safety and Health Council, and other training providers.

Employees carrying out construction works at construction sites are generally required to be registered pursuant to the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), which imposes certain training requirements on workers prior to registration, details of which are set out in the section headed “Regulatory overview — Labour, health and safety — Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)” in this prospectus. As at the Latest Practicable Date, all of our employees carrying out construction works on construction sites were registered under the Construction Workers Registration Ordinance.

Remuneration policy

The remuneration packages that our Group offers to employees include salary and bonuses. In general, our Group determines the salaries of our employees based on each employee’s qualifications, position, seniority and performance. 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.

PROPERTY

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

Address	Landlord	Usable floor area	Use of the property	Key terms of tenancy
Room 1503, 15/F, Win Century Centre, 2A Mong Kok Road, Mong Kok, Kowloon Hong Kong	An independent third party	Approximately 1,154 sq. ft.	For general office use	Monthly rental of HK\$36,200 with tenancy period up to December 2017


During the Track Record Period, prior to relocating to the premises shown in the above table, we leased a property owned by Mr. Sanny Lau and Mr. MC Lau for use as our general office, and such lease arrangement had been terminated following the aforesaid office relocation. For further information, please refer to the section headed “Financial information — Related party transactions” in this prospectus.

BUSINESS

As at 30 April 2015 and 2016 and the Latest Practicable Date, 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, pursuant to section 6(2) of Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) 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 PROPERTIES

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Class	Place of Registration	Registration Number	Name of Registrant	Period of Validity
	37	Hong Kong	302449440	Solar Red	29 November 2012 to November 2022

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Registration date	Expiry date
taikamholdings.com	Solar Red	15 March 2016	15 March 2017

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 up to the Latest Practicable Date, we did not engage in any research and development activity.

BUSINESS

NON-COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

LITIGATION AND CLAIMS

Nature of claims

During the Track Record Period and up to the Latest Practicable Date, we experienced a number of claims arising from personal injuries suffered by our subcontractors' employees as a result of accidents arising out of and in the course of their employment. Such personal injuries may lead to employees' compensation claims and common law personal injury claims brought by the injured workers against us:

- *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" in 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 he/she alleges that the injury is caused by the employer's negligence, breach of statutory duty, or other wrongful act or omission. Any 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 in general for an applicant to commence common law personal injury claim is three years from the date on which the cause of action accrued.

Ongoing claim

Our Directors confirm that as at the Latest Practicable Date, no litigation or claims of material importance were pending or threatened against any member of our Group.

Potential claims

As at the Latest Practicable Date, there were three incidents which may give rise to potential employees' compensation and/or common law personal injury claims against Tai Kam Construction. Potential claims refer to claims that have not been commenced against our Group but are within the limitation period of two years (for filing employees' compensation claims) or three years (for filing common law personal injury claims) from the date of the relevant incidents. In one of the aforesaid three incidents, an employee of a subcontractor of our Group alleged that he fell in a trench on a slope and injured his right ankle in the course of work ("**Incident No. 1**"). The employees' compensation claim of Incident No. 1 was settled in December 2015 but no common law personal injury claim had been commenced as at the Latest Practicable Date. In the second incident, an employee of a subcontractor of our Group injured his right hand during his use of a hand tool in the course of work ("**Incident No. 2**"). In the third incident, an employee of a subcontractor of our Group alleged that

BUSINESS

he injured his left knee in the course of work as his left leg was trapped by a slope (“**Incident No. 3**”). As at the Latest Practicable Date, no employees’ compensation claim or common law personal injury claim had been commenced in relation to Incident No. 2 and Incident No. 3. As advised by our Legal Counsel and as confirmed by our Directors, the amount of any such potential claims to be borne by our Group shall be covered by the relevant insurance policies. Our Directors confirm that these incidents which may give rise to such potential claims took place during usual and ordinary course of our business and have not caused any material disruption to our Group’s business.

Further information regarding Incident No. 3

1. Background of Incident No. 3

Our Group became aware of Incident No. 3 when the employer (i.e. the relevant subcontractor of our Group (the “**Subcontractor**”)) of the relevant worker (the “**Worker**”) informed us on 11 July 2016. Based on the information provided to us by the Subcontractor, (i) the Worker alleged that his injury was caused by a workplace accident that allegedly took place on 27 April 2016; (ii) the Worker filed a notification of accident with the Labour Department on 29 June 2016 on his own; and (iii) the Subcontractor was not aware of the alleged accident until the Labour Department informed it of such a notification of accident filed by the Worker.

Our Group and the Subcontractor are currently investigating the matter to ascertain whether such alleged accident indeed happened and whether the alleged injury (if any) was indeed suffered by the Worker in the course of work.

2. Obligation to report to the Labour Department

In accordance with our Group’s internal site records, the Subcontractor did not file any notification of accident with the Labour Department on 27 April 2016 as there was no report of such alleged accident on that day. The Worker filed a notification of accident with the Labour Department on 29 June 2016 on his own. The Labour Department then issued a letter dated 30 June 2016 to the Subcontractor, in which the Labour Department stated that (i) it was informed of the accident but it had not received the relevant accident notification from the Subcontractor; (ii) it wished to draw the Subcontractor’s attention to section 15 of the Employees’ Compensation Ordinance in relation to an employer’s obligation to notify the Labour Department of an accident causing injury within 14 days after the accident or within 14 days after the accident came to the employer’s knowledge; and (iii) it was in the course of investigating if the notification requirement is being breached in this accident.

In any event, as advised by our Legal Counsel, pursuant to section 15 of the Employees’ Compensation Ordinance, the obligation to report such accident to the Labour Department rests on the employer of the Worker, i.e. the Subcontractor, and our Group has no obligation to report such accident to the Labour Department. Therefore, our Legal Counsel advised that even if the Subcontractor is found to be in breach of the notification requirement under section 15 of the Employees’ Compensation Ordinance in respect of Incident No. 3, there shall be no criminal liabilities on the part of our Group in this connection.

BUSINESS

3. *Insurance coverage*

Immediately after becoming aware of the alleged accident, our Group had, on 11 July 2016, reported it to the relevant insurance company (the “**Insurer**”).

The relevant insurance policy contains a clause (the “**Clause**”) under which we are required to give immediate notice to the Insurer in the event of any occurrence which may give rise to a claim under the relevant insurance policy and the Insurer can reserve the right to repudiate the liability to indemnify us under the insurance policy if we fail to do so.

As advised by our Legal Counsel, a provision requiring notice to be given “immediately” will only be construed as meaning within a reasonable time and without unjustifiable delay. Our Legal Counsel also advised that according to a precedent court case, the court considered that the word “immediate” might be fairly construed as meaning with all reasonable speed considering the circumstances of the case.

Based on the principles set out above, our Legal Counsel is of the view that since our Group was not aware of Incident No. 3 and so was not able to report it in accordance with the requirement of the insurance policy, the Insurer cannot rely on the Clause to avoid covering our liability as it will be an unreasonable construction of the requirement of immediate notice under the relevant insurance policy. Accordingly, our Legal Counsel and our Directors are of the view that the Insurer could not avoid the coverage of our liability under the relevant insurance policy in relation to Incident No. 3.

Settled claims

During the Track Record Period and up to the Latest Practicable Date, Tai Kam Construction had settled three employees’ compensation claims (including the employees’ compensation claim under Incident No. 1) and two common law personal injury claims, which were brought against Tai Kam Construction as a result of injuries suffered by three workers (who were employees of our subcontractors) respectively in relation to three incidents that all took place prior to the Track Record Period. The respective natures of the settled claims in relation to such three incidents are: (i) personal injury involving fracture of right shoulder and right ribs suffered while drilling of soil nail (“**Settled Claim No. 1**”); (ii) eye injury suffered while using a grinding machine (“**Settled Claim No. 2**”); and (iii) personal injury as referred to in Incident No. 1 above (“**Settled Claim No. 3**”). Settled Claim No. 1 and Settled Claim No. 3 were fully covered by the relevant insurance policies and settled by the relevant insurers, while Settled Claim No. 2 was settled by the relevant subcontractor. To the best of our Directors’ belief, the relevant subcontractor’s decision to settle the Settled Claim No. 2 at its own cost may be based on its own commercial considerations having considered in particular the following factors: (a) the date of the subcontractor’s injury report to our Group was considerably later than the date of the injury, which suggested that the relevant subcontractor might have failed to report the incident to our Group immediately in accordance with the terms of the relevant subcontract; (b) any further investigation by our Group into the matter (including as to whether there was a late reporting on the part of the subcontractor and thus a breach of the terms of the relevant subcontract) might be time-consuming and costly, and the relevant costs might have to be borne by the relevant

BUSINESS

subcontractor; (c) it was desirable for the relevant subcontractor to maintain a good relationship with our Group; and (d) the relevant subcontractor did not consider the claim amount to be material. Therefore, although the Settled Claim No. 2 was fully covered by the relevant insurance policy, having considered (1) the claim amount of Settled Claim No. 2 was immaterial to our Group; and (2) the relevant subcontractor was willing to settle and had fully settled the relevant employees' compensation claim and common law personal injury claim at its own cost, our Directors considered that it was not necessary to and decided not to proceed with processing the insurance claim. Our Group has not subsequently compensated the relevant subcontractor for the Settled Claim No. 2. Our Directors confirmed that such claims that were settled during the Track Record Period and up to the Latest Practicable Date were of no material importance due to the coverage by insurance and/or by the relevant subcontractors and/or the immaterial amounts involved. For any future projects which our Group acts as main contractor, our Group will continue to take out insurance policies covering the liabilities of our Group and our subcontractors in relation to work injuries in compliance with sections 40(1B) and 40(1E)(d) of the Employees' Compensation Ordinance.

Effect of the claims on our insurance premium

There has been no material increase in our insurance premium as a result of the aforesaid ongoing and settled claims during the Track Record Period, as evidenced by the fact that our average insurance premium rate (as a percentage of the contract sum) for contracts with commencement date falling within FY2015/16 was lower than the average rate for contracts with commencement date falling within FY2014/15.

No provision for litigation and claims

Our Directors are of the view that the occurrence of common law personal injury claims and employees' compensation claims is not uncommon in the industry. We have taken out insurance in compliance 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.

Regarding the potential employees' compensation claims and/or 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 expected coverage by the relevant insurance policies.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. Our Board is responsible for and has the general powers in managing and conducting our Company's business. The following table sets out the information regarding the members of our 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. LAU King Shun (劉景順)	54	March 2002	1 April 2016	Executive Director and chairman of the Board and chief executive officer	Overall business development and management as well as financial and strategic planning of our Group	Brother of Mr. LAU Kan Sui Sanny and Mr. LAU Mei Chai
Mr. LAU Kan Sui Sanny (劉根水)	49	March 2002	1 April 2016	Executive Director	Construction projects management	Brother of Mr. LAU King Shun and Mr. LAU Mei Chai
Mr. LAU Mei Chai (劉美齊)	42	March 2002	1 April 2016	Executive Director	Construction projects management	Brother of Mr. LAU King Shun and Mr. LAU Kan Sui Sanny
Mr. YIM Kin Ping (嚴建平)	61	25 September 2016	25 September 2016	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Ms. WONG Yuk King (黃玉琮)	57	25 September 2016	25 September 2016	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil
Mr. HO Cheuk Wai (何焯偉)	55	25 September 2016	25 September 2016	Independent non-executive Director	Providing independent judgement on our strategy, performance, resources and standard of conduct	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAU King Shun (劉景順), aged 54, is the chairman of the Board, our chief executive officer and a Controlling Shareholder. Mr. KS Lau was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. Mr. KS Lau is primarily responsible for the overall business development and management as well as financial and strategic planning of our Group. He is also a director of Tai Kam Construction, Ease Geotechnical, Sunsky Global and Solar Red.

Mr. KS Lau obtained a degree of Bachelor of Science in Civil Engineering from The Polytechnic of Central London (now known as University of Westminster) in July 1985. He obtained a Diploma in Concrete Structures from Imperial College of Science and Technology and a degree of Master of Science in Concrete Structures from University of London in August 1986. Mr. KS Lau also obtained a degree of Bachelor of Laws from University of Wolverhampton in October 1997. Mr. KS Lau has been a member of the Hong Kong Institution of Engineers since April 1991 and a member of the Institution of Civil Engineers of the United Kingdom since December 1992. Mr. KS Lau is currently registered as a Registered Professional Engineer and an Accredited Safety Auditor of Occupational Safety and Health Council in Hong Kong. He has been registered as a Safety Officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation since January 1998 and has been a Registered Safety Auditor under the Factories and Industrial Undertakings (Safety Management) Regulation since November 2000. Mr. KS Lau has been a Chartered Member of Institution of Occupational Safety and Health of the United Kingdom since January 2007. He is currently a council member of Association of Engineering Professionals in Society Limited.

Mr. KS Lau has over 30 years of experience in the construction industry in Hong Kong. Prior to establishing Ease Geotechnical of our Group in 2002, Mr. KS Lau had worked at the Government from September 1986 to January 2000, initially as a civil engineering graduate (from September 1986 to September 1989), then as an assistant engineer (from September 1989 to April 1991), subsequently as an engineer (from April 1991 to November 1996) and as a senior engineer and safety advisor (from December 1996 to March 2000). From April 2000, Mr. KS Lau started his own business in the construction field and has been a director of Ease Geotechnical since March 2002. He has been a director of Tai Kam Construction since April 2005 when Ease Geotechnical acquired Tai Kam Construction (as further discussed in the section headed “History and development” in this prospectus).

DIRECTORS AND SENIOR MANAGEMENT

Mr. KS Lau 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 and which were solvent at the time of deregistration:

Company	Place of incorporation	Date of incorporation	Date of application for deregistration	Date of dissolution
Hannibal Contractors Limited (漢利寶建設有限公司)	Hong Kong	11 February 2002	16 March 2005	29 July 2005
Sing Fung Construction Company Limited (升丰建築有限公司)	Hong Kong	15 March 2002	3 April 2003	15 August 2003

Mr. KS Lau does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. LAU Kan Sui Sanny (劉根水), aged 49, was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. He is primarily responsible for construction projects management. Mr. Sanny Lau is one of our Controlling Shareholders and is also a director of Tai Kam Construction, Ease Geotechnical, Sunsky Global and Solar Red.

Mr. Sanny Lau obtained a Certificate for Safety Supervisor from Occupational Safety & Health Council in July 1998. He completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (1) through part-time studies organised by Construction Industry Training Authority in May 2002. In May 2004, Mr. Sanny Lau completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (2) and completed Landslip Preventive Measures Course for Supervisory Personnel in May 2004 by part-time studies organised by Construction Industry Training Authority. Mr. Sanny Lau later completed a course for Qualifying Site Supervisors as Technically Competent Persons and obtained Equivalent Certificate (3) in December 2004 through part-time studies organised by Construction Industry Training Authority.

Mr. Sanny Lau has over 14 years of experience in the construction industry since he joined our Group in March 2002 as a director of Ease Geotechnical. He has also been a director of Tai Kam Construction since April 2005.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sanny Lau 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 and which were solvent at the time of deregistration:

Company	Place of incorporation	Date of incorporation	Date of application for deregistration	Date of dissolution
Ease Construction Limited (應順建設有限公司)	Hong Kong	4 August 1999	29 July 2005	2 December 2005
Long Win Engineering Limited (隆軒工程有限公司)	Hong Kong	5 November 1996	11 January 2008	23 May 2008

Mr. Sanny Lau does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. LAU Mei Chai (劉美齊), aged 42, was appointed as a Director on 1 April 2016 and re-designated as an executive Director on 26 September 2016. He is primarily responsible for construction projects management. Mr. MC Lau is also a director of Tai Kam Construction, Sunsky Global and Solar Red.

Mr. MC Lau obtained a Certificate in Civil Engineering Studies from Hong Kong Institute of Vocational Education in July 2000 and a Higher Certificate in Civil Engineering from Hong Kong Institute of Vocational Education in July 2003. Mr. MC Lau also obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education, Open University of Hong Kong in April 2005 through part-time studies. Mr. MC Lau obtained a degree of Bachelor of Science in Civil Engineering from Leeds Metropolitan University in February 2013 by part-time studies and distance learning. He has been registered as a Safety Officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since October 2006.

Mr. MC Lau has over 14 years of experience in the construction industry since he joined our Group in March 2002. Mr. MC Lau has also been a director of Tai Kam Construction since April 2005, and has also taken up the roles of site agent and project manager in various projects.

DIRECTORS AND SENIOR MANAGEMENT

Mr. MC Lau 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 and which were solvent at the time of deregistration:

Company	Place of incorporation	Date of incorporation	Date of application for deregistration	Date of dissolution
Ease Construction Limited (應順建設有限公司)	Hong Kong	4 August 1999	29 July 2005	2 December 2005
Hung Wah Construction Limited (鴻華建築有限公司)	Hong Kong	9 August 2002	27 March 2008	8 August 2008

Mr. MC Lau does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. YIM Kin Ping (嚴建平), aged 61, was appointed as our independent non-executive Director on 25 September 2016. Mr. Yim has more than 39 years of experience in the construction industry in Hong Kong. From June 1977 to June 1983, Mr. Yim worked at Mass Transit Railway Corporation Hong Kong (now known as MTR Corporation) at which his last position was engineer II (Civil). From June 1983 to March 1991, Mr. Yim served as geotechnical engineer in Engineering Development Department and Civil Engineering Services Department of the Government respectively. From March 1991 to July 2010, Mr. Yim worked at Civil Engineering Services Department, Civil Engineering Department and Architectural Services Department of the Government as senior geotechnical engineer. Mr. Yim has been a director of Smooth Idea (Hong Kong) Limited, a Hong Kong company, since July 2011. Starting from February 2012, Mr. Yim has also been employed by Greg Wong & Associates Ltd with a job title of technical director.

Mr. Yim obtained a degree of Bachelor of Science in Engineering from University of Hong Kong in October 1977 and a degree of Master of Science from University of London in November 1989. Mr. Yim has been a member of the Institution of Civil Engineers of the United Kingdom since December 1982. He is currently a member of the Hong Kong Institution of Engineers (“HKIE”) and has been a fellow of the HKIE since November 2005.

Mr. Yim was elected as a member of the Election Committee (Engineering) for the election of the Chief Executive of Hong Kong from 2006 to 2016.

Mr. Yim was appointed by the Chief Executive as a Justice of the Peace in June 2012. He has been a member of the Engineers Registration Board (established under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) from 2007 to 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yim does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. WONG Yuk King (黃玉琼), aged 57, was appointed as our independent non-executive Director on 25 September 2016. Ms. Wong completed Part I of the Membership Examination of The Institute of Legal Executives and Part II of the Membership Examination of The Institute of Legal Executives respectively in November 1987 and October 1989 in the United Kingdom. She was awarded the Institute's Diploma in Land Law in June 1991, the Institute's Diploma in Constitutional & Administrative Law in October 1996 and the Institute's Diploma in Equity & Trust in June 1997 from The Institute of Legal Executives in the United Kingdom. Ms. Wong was awarded Postgraduate Certificate in Laws by The University of Hong Kong in June 2000 and obtained a degree of Master of Management from Macquarie University in June 2003. Ms. Wong was admitted as a Solicitor of the High Court of Hong Kong in July 2002. She has been a fellow of The Institute of Legal Executives of the United Kingdom since October 1991.

Ms. Wong has over 31 years of experience in the legal industry in Hong Kong and England. Prior to working in Hong Kong, she had 10 years of experience in solicitors' firms in London as legal executive and trainee legal executive from 1984 to 1994. In Hong Kong, Ms. Wong worked at Livasiri & Co. Solicitors & Notaries from January 1996 to July 1998, at Philip K H Wong, Kennedy Y H Wong & Co. Solicitors & Notaries from September 2000 to April 2002, at Jimmie K S Wong & Co. Solicitors, Agents for Trade Marks & Patents from April 2003 to November 2003, at Tai, Mak & Partners, Solicitors, Agents for Trade Marks & Patents from January 2004 to March 2005, at Susan Liang & Co. Solicitors from April 2005 to April 2006, at Tsui & Co. Solicitors from May 2006 to November 2007, at Chung & Kwan Solicitors from January 2008 to October 2010, at F. Zimmern & Co. Solicitors & Notaries from February 2011 to February 2012, at King & Company Solicitors & Notaries from April 2013 to February 2016 and at Messrs. M.C.A. Lai & Co. Service Limited from March 2016 up to the present.

Ms. Wong does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. HO Cheuk Wai (何焯偉), aged 55, was appointed as an independent non-executive Director on 25 September 2016. Mr. Ho obtained a degree of Master of Business Administration from The University of Wales, Bangor (now known as the Bangor University) in co-operation with The Manchester Business School in July 1997 and a degree of Master of Science in Business Information Technology from Middlesex University in January 2003, both of which were distance learning programs. Mr. Ho has been an associate of Hong Kong Institute of Certified Public Accountant (formerly known as Hong Kong Society of Accountant) since December 1994. He has been admitted as an Associate of the Association of Chartered Certified Accountants of the United Kingdom since January 1995 and a fellow of the Association of Chartered Certified Accountant of the United Kingdom since January 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho has 37 years of experience in financial operations and business development of properties and infrastructure. From October 1979 to February 1986, Mr. Ho worked at Hutchison Whampoa Limited, at which his last position was senior accountant. From March 1986 to June 1990, Mr. Ho was the management accountant of The Dynasty Club Shenzhen. From July 1990 to November 1998, Mr. Ho worked for CBI Investment Limited and Mission Hills Group respectively as a financial controller. From January 1999 to March 2008, he served as the financial officer of Chung Fu Properties Group Company Limited. From September 2008 to April 2012, Mr. Ho worked in The China Water Company Limited and Cetec Limited respectively as the financial controller. In May 2012, Mr. Ho was appointed as the financial controller of Leepark Holdings Limited, and subsequently from December 2012 to May 2013, he became the group financial controller, authorised representative and company secretary of South West Eco Development Limited (now known as C&D International Investment Group Limited) (stock code: 1908), the issued shares of which are listed on the Main Board of the Stock Exchange and which was the parent company of Leepark Holdings Limited. From May 2013 to January 2014, Mr. Ho was the financial controller and company secretary of Ngai Shun Holdings Limited (stock code: 1246), the issued shares of which are listed on the Main Board of the Stock Exchange. Mr. Ho is currently the financial controller and company secretary of K.H. Group Holdings Limited (stock code: 1557), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Ho does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this prospectus, each of our Directors has confirmed that there is no other matter concerning all our Directors' appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange and there is no other matter which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Date of joining our Group	Date of appointment or promotion to the present position	Present position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. CHEN Talent (陳天麟)	41	April 2007	July 2015	Senior construction manager	Resolving construction and engineering technical issues	Nil
Ms. YIP Mei Po Mabel (葉美寶)	38	April 2003	September 2013	Senior project manager	Overseeing site safety and environmental compliance and project management	Nil
Ms. HO Man Wai (何文慧)	28	February 2016	February 2016	Financial controller and company secretary	Financial reporting, financial planning, treasury, financial control and overall company secretarial matters	Nil

Mr. CHEN Talent (陳天麟), aged 41, is our senior construction manager, primarily responsible for resolving construction and engineering technical issues. He graduated from The University of British Columbia in May 1997 with a degree of Bachelor of Applied Science in Civil Engineering. Mr. Chen obtained a degree of Master of Science in Civil and Environmental Engineering from Stanford University in June 1998 and then a degree of Master of Science in Engineering (Industrial Engineering and Logistics Management) from The University of Hong Kong in November 2007. Mr. Chen also obtained the degree of Juris Doctor and Postgraduate Certificate in Laws from The Chinese University of Hong Kong in December 2010 and July 2011 respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen has been licensed as a Professional Engineer in Civil Engineering in the State of California of the United States by the Board for Professional Engineers and Land Surveyors of California, the United States since June 2003, and a member of American Society of Civil Engineers since July 2003. He has also been registered in the area of practice of civil (general) as a Registered Professional Engineer in Australia and registered as a Chartered Professional Engineer of The Institution of Engineers, Australia since October 2003. Mr. Chen has been a member of The Institution of Civil Engineers in the United Kingdom since March 2004, and has been registered as a Chartered Engineer with the Engineering Council in the United Kingdom since July 2004. Mr. Chen has been a member of The Hong Kong Institution of Engineers since August 2004 and is currently registered as a Registered Professional Engineer in Hong Kong. He was elected as a Chartered Member of The Chartered Institute of Logistics and Transport in Hong Kong in October 2015. Mr. Chen has been a Solicitor of the High Court of Hong Kong since January 2014 and is currently a member of the Law Society of Hong Kong.

Mr. Chen has over 18 years of experience in the construction industry in Hong Kong. He has worked for Tai Kam Construction during the periods from April 2007 to September 2011 and from November 2014 up to the present, and is currently the senior construction manager of Tai Kam Construction. Before joining our Group, Mr. Chen worked at Maunsell Geotechnical Services Ltd. as an assistant geotechnical engineer from September 1998 to September 2006 and at Shun Yuen Construction Co., Limited as an assistant network manager from October 2006 to March 2007.

Mr. Chen does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. YIP Mei Po Mabel (葉美寶), aged 38, is our senior project manager, primarily responsible for overseeing site safety and environmental compliance and project management. Ms. Yip obtained a degree of Bachelor of Science in Building Technology and Management from The Hong Kong Polytechnic University in November 2000. She is currently a Safety Officer under the Factories and Industrial Undertakings (Safety Management) Regulation. Ms. Yip joined our Group in April 2003 and has since then accumulated more than 13 years of experience in our operation.

Ms. Yip does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. HO Man Wai (何文慧), aged 28, is our financial controller and company secretary of our Company. She is responsible for our financial reporting, financial planning, treasury, financial control and the overall company secretarial matters of our Group. She joined our Group in February 2016. She has over five years of experience in auditing, accounting and financial management. Prior to joining our Group, Ms. Ho had accumulated experience in the accounting industry in Hong Kong through her employment with HLM Asia Group Limited (at which her last position was senior accountant II) from December 2010 to December 2014 and a construction company listed on the Stock Exchange (at which her position was assistant financial controller) from December 2014 to January 2016.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ho obtained a degree of Bachelor of Business Administration in Accountancy from The Hong Kong Polytechnic University in November 2010. Ms. Ho has been a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants since July 2014.

Ms. Ho does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. HO Man Wai (何文慧) is the company secretary of our Company. Details of her qualification and experience are set out in the subsection headed “Senior management” above.

COMPLIANCE OFFICER

Mr. LAU King Shun (劉景順) is the compliance officer of our Company. His qualification and experience are set out in the subsection headed “Directors” above.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of directors’ fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, their time commitment and the performance of our Group. Our Group also reimburses them 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 package 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive compensation in the form of fees, salaries, allowances, discretionary bonuses and other benefits in kind as well as contributions to retirement benefit schemes. The total compensation accrued to our executive Directors for each of FY2014/15 and FY2015/16 was approximately HK\$1.54 million and HK\$1.30 million, respectively. During the Track Record Period, our independent non-executive Directors had not yet been appointed and had not received any directors’ remuneration in the capacity of Directors.

DIRECTORS AND SENIOR MANAGEMENT

For FY2014/15, the five highest paid individuals of our Group included our three executive Directors. The aggregate emoluments of the remaining two highest paid individuals for FY2014/15 amounted to approximately HK\$0.98 million. For FY2015/16, the five highest paid individuals of our Group included one of our executive Directors. The aggregate emoluments of the remaining four highest paid individuals for FY2015/16 amounted to approximately HK\$2.02 million.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for FY2016/17 to be approximately HK\$1.55 million.

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.

Save as disclosed above, no other payments have been paid or are payable, in respect of each of FY2014/15 and FY2015/16, by us or any of our subsidiaries to our Directors.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee pursuant to a resolution of our Directors passed on 26 September 2016 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are, among other things, to make recommendation to the Board on the appointment, reappointment and removal of external auditor; review the financial information; and oversee the financial reporting system and internal control procedures of our Company. At present, the Audit Committee of our Company consists of all of our three independent non-executive Directors, namely Mr. Ho Cheuk Wai, Ms. Wong Yuk King, and Mr. Yim Kin Ping. Mr. Ho Cheuk Wai is the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee pursuant to a resolution of our Directors passed on 26 September 2016 with written terms of reference in compliance with Rule 5.34 and Rule 5.35 of the GEM Listing Rules. The written terms of reference of the Remuneration Committee were adopted in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Yim Kin Ping, Mr. Ho Cheuk Wai and Mr. Sanny Lau. Mr. Yim Kin Ping is the chairman of the Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Company established the Nomination Committee pursuant to a resolution of our Directors passed on 26 September 2016. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code have been adopted. The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The Nomination Committee consists of three members, namely Mr. KS Lau, Mr. Ho Cheuk Wai and Ms. Wong Yuk King. Mr. KS Lau is the chairman of the Nomination 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 in relation to the segregation of the roles of chairman and chief executive.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive of our Company should not be performed by the same person. Mr. KS Lau has been managing our business and our overall financial and strategic planning since March 2002. Taking into account Mr. KS Lau's expertise and experience in the construction industry, the Board is of the view that roles of chairman and chief executive officer being performed by Mr. KS Lau would enable our Group's business planning, decision and implementation to be made more efficiently and effectively. 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 individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of chairman and chief executive officer as required by code provision A.2.1 of the Corporate Governance Code.

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 after the Listing.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Dakin 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:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) 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
- (d) 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.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Placing, each of Mr. KS Lau, Mr. Sanny Lau and Classy Gear will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Mr. KS Lau, Mr. Sanny Lau and Classy Gear are our Controlling Shareholders. Classy Gear is an investment holding company and had not commenced any substantive business activities as at the Latest Practicable Date. Please refer to the section headed “History and development — Reorganisation” in this prospectus for details of our Company’s shareholding structure among our Controlling Shareholders.

Pursuant to the Concert Party Deed, Mr. KS Lau and Mr. Sanny Lau are a group of Controlling Shareholders acting in concert (having the meaning as ascribed thereto in the Takeovers Code) and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code). For details, please refer to the section headed “History and development — Concert Party Deed” in this prospectus.

NO COMPETING INTEREST

Our Controlling Shareholders, our Directors and their respective close associates confirm that each of them does 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 is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders, namely, Mr. KS Lau, Mr. Sanny Lau and Classy Gear (each a “**Covenantor**” and collectively the “**Covenantors**”) has entered into the Deed of Non-Competition in favour of our Company, whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates (as defined in the GEM Listing Rules), are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Controlling Shareholders, each of the Covenantors shall, and shall procure that their respective close associates shall:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or be in competition with our Group in any business activities which our Group may undertake in the future save for the holding (by him/it and/or his/its close associates) of not more than 5% shareholding interests in any company listed on the Stock Exchange or any other stock exchange;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including solicitation of customers, suppliers and staff members of our Group; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) keep our Directors informed of any matters of potential conflicts of interest between the Covenantors (including their close associates) and our Group.

In addition, each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that if any new business opportunity relating to any business of our Group (“**New Business Opportunity**”) is made available to any of the Covenantors or their respective close associates (other than our Company), he/it will direct or procure the relevant associate to direct such New Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the New Business Opportunity. The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the New Business Opportunity.

None of the Covenantors and their respective close associates (other than our Company) will pursue the New Business Opportunity until our Group decides not to pursue the New Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our Group’s prevailing business and financial resources, the financial resources required for the New Business Opportunity and any expert opinion on the commercial viability of the New Business Opportunity. Our Company will disclose any decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through our annual report or by way of announcement, containing our independent non-executive Directors’ decision, and their basis, to pursue or decline any New Business Opportunity.

INDEPENDENCE OF OUR GROUP

Having taken into account the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

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 had an amount due to Mr. KS Lau, one of our Controlling Shareholders and an executive Director. Please refer to the section headed “Financial information — Net current assets — Amount due to a director” in this prospectus and note 16 to the accountants’ report set out in Appendix I to this prospectus for further details. The amount due to Mr. KS Lau was fully settled during the Track Record Period. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. As at the Latest Practicable Date, our Group had two banking facilities which were secured by, among other things, unlimited personal guarantees of Mr. KS Lau and Mr. Sanny Lau, each being our Controlling Shareholder. The guarantees provided by Mr. KS Lau and Mr. Sanny Lau will be released and replaced by an unlimited guarantee from our Company upon Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Having considered that (a) we have established our own operational structure comprising individual departments, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates; and (d) all the intellectual property rights including registered trademark and domain name are registered in the name of our Group, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently.

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising of three executive Directors and three independent non-executive Directors. Two of our Controlling Shareholders, Mr. KS Lau and Mr. Sanny Lau, are our executive Directors. Notwithstanding this, our Directors consider that our Board and team of management will function independently because:

- (a) each of our Directors is aware of his/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/her duties as a director and his personal interest;
- (b) 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 associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (c) our independent non-executive Directors will bring independent judgement to the decision-making process of our Board; and
- (d) our senior management members are independent and possess relevant experience and knowledge of the industry in which our Group operates.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Major suppliers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, had 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Major customers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, had 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.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) We will comply with the GEM Listing Rules and, in particular, strictly observe any proposed transactions between us and our connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable.
- (b) We have appointed Dakin Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations including various requirements relating to directors' duties and internal control. 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.
- (c) Our Controlling Shareholders will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company.
- (d) We have appointed three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. We believe our independent non-executive Directors possess the qualification, experience and integrity and they are free from 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 an impartial and external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed "Directors and senior management".
- (e) Our Controlling Shareholders have undertaken and agreed 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 Deed of Non-Competition.
- (f) Our Company will disclose decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-Competition either through our Company's annual report or by way of announcement to the public.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (but without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the 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 are, directly or indirectly, interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name of Shareholder	Capacity/ nature of interest	Immediately following completion of the Capitalisation Issue and the Placing	
		Number of Shares held/ interested	Approximate percentage of shareholdings
Classy Gear	Beneficial owner <i>(Note 1)</i>	600,000,000	75%
Mr. KS Lau (Brother of Mr. Sanny Lau)	Interests held jointly with other persons; Interest in a controlled corporation <i>(Notes 1 and 2)</i>	600,000,000	75%
Mr. Sanny Lau (Brother of Mr. KS Lau)	Interests held jointly with other persons; Interest in a controlled corporation <i>(Note 2)</i>	600,000,000	75%
Ms. Lam Wai Yin	Interest of spouse <i>(Note 3)</i>	600,000,000	75%
Ms. Chung King Fung	Interest of spouse <i>(Note 4)</i>	600,000,000	75%

Notes:

- (1) The issued share capital of Classy Gear is legally and beneficially owned as to 75% by Mr. KS Lau and 25% by Mr. Sanny Lau. Therefore, Mr. KS Lau is deemed or taken to be interested in the Shares held by Classy Gear under the SFO.
- (2) Mr. KS Lau and Mr. Sanny Lau are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Placing (but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), Mr. KS Lau and Mr. Sanny Lau will together control 75% of our entire issued share capital.

SUBSTANTIAL SHAREHOLDERS

- (3) Ms. Lam Wai Yin is the spouse of Mr. KS Lau and is deemed or taken to be interested in all the Shares in which Mr. KS Lau has, or is deemed to have, an interest for the purposes of the SFO.

- (4) Ms. Chung King Fung is the spouse of Mr. Sanny Lau and is deemed or taken to be interested in all the Shares in which Mr. Sanny Lau has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares 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 our Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Placing (without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme):

<i>Authorised share capital:</i>		<i>HK\$</i>
2,000,000,000	Shares of par value HK\$0.01 each	20,000,000
<i>Shares issued and fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:</i>		
10,000	Shares in issue as at the date of this prospectus	100
599,990,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,900
200,000,000	Shares to be issued under the Placing	2,000,000
800,000,000	Shares in total	8,000,000

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Placing become unconditional and does not take into account any exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

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 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares are ordinary shares and will rank *pari passu* in all respects with all the 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 the Shares in respect of a record date which falls after the date of this prospectus other than participation in the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of our then sole Shareholder passed on 26 September 2016, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Placing Shares pursuant to the Placing, our Directors are authorised to allot and issue a total of 599,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members or the principal share register of our Company at the close of business on 26 September 2016 in proportion to their shareholdings (as nearly as possible, 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 up to HK\$5,999,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with 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 Share to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Placing (but excluding any Shares which may be issued pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or 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 in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; or

SHARE CAPITAL

- (c) when the power given to our Directors is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate to issue Shares, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 26 September 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” of this prospectus, 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 total number of Shares in issue following completion of the Capitalisation Issue and the Placing (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; and
- (c) when the power given to our Directors is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate to repurchase Shares, please refer to the paragraph headed “A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “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.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The holding of general meeting or class meeting is prescribed for under the articles of association of a Cayman Islands exempted company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

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 for each of the two years ended 30 April 2016, 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 undertake slope works in Hong Kong as main contractor. The majority of our revenue during the Track Record Period was derived from Government projects, where our customers primarily included the CEDD, the Housing Authority and the AFCD. We have also undertaken non-Government projects during the Track Record Period, where our customers included a tertiary educational institution in Hong Kong and the manager of a real estate investment trust listed in Hong Kong.

During the Track Record Period, we had an aggregate of 18 projects with revenue contribution to us. As at the Latest Practicable Date, we had an aggregate of five projects on hand.

During the Track Record Period, our revenue represented income derived from undertaking contract slope works while the costs of our operations included subcontracting charges, costs of construction materials and consumables required for slope works such as steel bars, concrete, cement and diesel, staff costs in respect of our on-site project management and supervision personnel as well as direct labours for carrying out site works, costs of transportation and rental of machinery, and testing and surveying of the quality of materials, etc.

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

For each of FY2014/15 and FY2015/16, our revenue generated from contracts awarded by CEDD represented approximately 80.80% and 81.94% of our total revenue respectively. The Government's spending budget on slope works projects may change from year to year, which in turn may be affected by various factors, including changes in the Government's policies in relation to LPM and/or the Landslip Prevention and Mitigation Programme, 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.

FINANCIAL INFORMATION

Our success rate on project tendering

Projects undertaken by us, including Government projects and non-Government projects, are normally awarded to us through competitive tendering processes. 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 quotations or tenders

We need to estimate the time and costs involved in a project in order to determine our quotations or 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, customers' variation orders, 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

Depending on the availability of our own resources, we may subcontract our works to subcontractors. For each of FY2014/15 and FY2015/16, subcontracting charges incurred by us amounted to approximately HK\$39.85 million and HK\$45.23 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 our customers and us for our subcontractors' unsatisfactory performance. In particular, 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 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.

FINANCIAL INFORMATION

Working capital requirements associated with undertaking contract works

Under a typical contract undertaken by us, we do not receive any upfront payments or deposits from our customers prior to the commencement of work. However, there are costs which are typically incurred at an early stage of a project before we receive any payments from customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, insurance, materials and/or subcontracting services. In addition, throughout the execution of a contract, we typically receive payments for works that have been performed, for which we would have incurred costs (including costs of labours, materials and/or subcontracting services) that are also required to be paid from our available financial resources. Furthermore, some of the contracts undertaken by us may contain retention money clauses whereby our customers may hold up a certain percentage of each payment made to us as retention money, which also affect our liquidity position.

In addition, Tai Kam Construction 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”, which is a prerequisite for tendering for Government slope works contracts. The retention on such list is subject to certain minimum employed capital and minimum working capital requirements being met from time to time, including in particular the minimum working capital requirement of, in the case of Tai Kam Construction at present, the higher of HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts including both Government and non-Government slope works.

Our available financial resources will therefore affect our ability to undertake projects and develop our business in the future.

BASIS OF PRESENTATION

Throughout the Track Record Period, Mr. KS Lau and Mr. Sanny Lau collectively controlled 100% equity interests in Ease Geotechnical and Tai Kam Construction. Our Group was under the control of Mr. KS Lau and Mr. Sanny Lau 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 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.

Please refer to notes 2.1 to 2.2 in section II of the accountants’ report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, and also complies with the applicable requirements of the Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules. The significant accounting policies adopted by our Group are set forth in details in the accountants' report set out in Appendix I to this prospectus.

Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherently uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances.

The following paragraphs highlight certain critical accounting policies and estimates applied in the preparation of our Group's combined financial statements. For other critical accounting policies and estimates which were applied in the preparation of the financial information of our Group, please refer to notes 2 and 3 to the accountants' report set out in Appendix I to this prospectus.

Revenue recognition

Our revenue from contract work is recognised based on the stage of completion, as further disclosed in note 2.13 in section II of the accountants' report set out in Appendix I to this prospectus.

In practice, we make application to our customer for progress payment normally on a monthly basis or upon the completion of the project. 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.

However, progress certifications might not necessarily take place as at our financial year-end. In case where progress certifications do not take place as at our financial year-end or where the last progress certificate for a works contract during a financial year does not cover a period up to the financial year-end, the revenue for the period from the last progress certification up to the financial year-end is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records (including site diaries) as well as the rates for the relevant works items as agreed between the customer and us.

FINANCIAL INFORMATION

Therefore, our revenue during the Track Record Period was recognised based on the stage of contract completion which was either fully confirmed by customers' progress certifications or was estimated by our Directors due to progress certification not taking place exactly as at our financial year-end:

	FY2014/15		FY2015/16	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Contract revenue recognised where the stage of completion:				
- was fully confirmed by customers' progress certifications	72,172	92.91	91,016	93.64
- was estimated due to customers' progress certifications not taking place exactly as at our financial year-end	<u>5,511</u>	<u>7.09</u>	<u>6,178</u>	<u>6.36</u>
Total revenue	<u><u>77,683</u></u>	<u><u>100.00</u></u>	<u><u>97,194</u></u>	<u><u>100.00</u></u>

Provision for impairment of trade and retention receivables

At each reporting date, trade and retention receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of trade and retention receivables 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; and
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Where the recovery of trade and retention 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 and retention receivables is remote, the amount considered irrecoverable is written off against trade and retention 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.

FINANCIAL INFORMATION

At each reporting date during the Track Record Period, our Group reviewed our trade receivables for evidence of impairment on both an individual and collective basis. Based on such assessment, no provision for impairment has been recognised as at 30 April 2015 and 2016.

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:

	FY2014/15	FY2015/16
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	77,683	97,194
Direct costs	<u>(64,075)</u>	<u>(77,561)</u>
Gross Profit	13,608	19,633
Other income	249	53
Administrative expenses	<u>(1,280)</u>	<u>(3,842)</u>
Profit before income tax	12,577	15,844
Income tax expense	<u>(2,029)</u>	<u>(2,942)</u>
Profit and total comprehensive income for the year	<u><u>10,548</u></u>	<u><u>12,902</u></u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was principally derived from undertaking slope works. For detailed breakdowns of our revenue during the Track Record Period by project nature (Government or non-Government projects) and by projects undertaken, please refer to the sections "Business — Overview" and "Business — Projects undertaken during the Track Record Period" in this prospectus.

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.

FINANCIAL INFORMATION

Direct costs

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2014/15		FY2015/16	
	HK\$'000	%	HK\$'000	%
Subcontracting charges	39,850	62.19	45,230	58.32
Staff costs	12,123	18.92	17,945	23.14
Direct materials and consumables	4,837	7.55	6,988	9.01
Insurance	1,792	2.80	1,871	2.41
Testing and survey	1,676	2.61	2,151	2.77
Transportation expenses	915	1.43	754	0.97
Depreciation	686	1.07	693	0.89
Rent	279	0.44	551	0.71
Other direct costs	1,917	2.99	1,378	1.78
	<u>64,075</u>	<u>100.00</u>	<u>77,561</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, our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor and we may engage subcontractors to carry out certain 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 7% and 18%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wage of LPM workers in Hong Kong as shown in the Ipsos Report (see the section headed “Industry overview — Price trend of major cost components — Average wage of LPM workers in Hong Kong” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in our subcontracting charges

	-7%	-18%	+7%	+18%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase/(decrease) in profit before tax (Note 1)				
FY2014/15	2,790	7,173	(2,790)	(7,173)
FY2015/16	3,166	8,141	(3,166)	(8,141)

FINANCIAL INFORMATION

Hypothetical fluctuations in our subcontracting charges

	-7%	-18%	+7%	+18%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Increase/(decrease) in profit after tax (Note 2)

FY2014/15	2,330	5,989	(2,330)	(5,989)
FY2015/16	2,644	6,798	(2,644)	(6,798)

Notes:

1. Our profit before tax was approximately HK\$12.58 million for FY2014/15 and approximately HK\$15.84 million for FY2015/16.

 2. Our profit after tax was approximately HK\$10.55 million for FY2014/15 and approximately HK\$12.90 million for FY2015/16.
- (b) staff costs, which are salaries and benefits provided to our staff who are directly involved in the provision of our services, including on-site project management and supervision personnel as well as direct labours for carrying out site works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs (in respect of our staff who are directly involved in carrying out our site works) on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 7% and 18%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wage of LPM workers in Hong Kong as shown in the Ipsos Report (see the section headed “Industry overview — Price trend of major cost components — Average wage of LPM workers in Hong Kong” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in our staff costs

	-7%	-18%	+7%	+18%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Increase/(decrease) in profit before tax (Note 1)

FY2014/15	849	2,182	(849)	(2,182)
FY2015/16	1,256	3,230	(1,256)	(3,230)

Increase/(decrease) in profit after tax (Note 2)

FY2014/15	709	1,822	(709)	(1,822)
FY2015/16	1,049	2,697	(1,049)	(2,697)

FINANCIAL INFORMATION

Notes:

1. Our profit before tax was approximately HK\$12.58 million for FY2014/15 and approximately HK\$15.84 million for FY2015/16.
2. Our profit after tax was approximately HK\$10.55 million for FY2014/15 and approximately HK\$12.90 million for FY2015/16.

- (c) direct materials and consumables, which represent the costs of construction materials and consumables required for the performance of works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our costs of direct materials and consumables on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 3% and 13%, which correspond to the approximate CAGR in the price of cement and in the price of steel reinforcements, respectively, from 2011 to 2015 as shown in the Ipsos Report (see the section headed “Industry overview — Price trend of major cost components” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations in costs
of direct materials and
consumables**

	-3%	-13%	+3%	+13%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

**Increase/(decrease) in profit
before tax (Note 1)**

FY2014/15	145	629	(145)	(629)
FY2015/16	210	908	(210)	(908)

**Increase/(decrease) in profit after
tax (Note 2)**

FY2014/15	121	525	(121)	(525)
FY2015/16	175	758	(175)	(758)

Notes:

1. Our profit before tax was approximately HK\$12.58 million for FY2014/15 and approximately HK\$15.84 million for FY2015/16.
2. Our profit after tax was approximately HK\$10.55 million for FY2014/15 and approximately HK\$12.90 million for FY2015/16.

- (d) insurance expenses, which represent costs for maintaining insurance policies that are directly related to the provision of our services;

FINANCIAL INFORMATION

- (e) testing and survey, which mainly represent costs for load testing and checking of the construction materials such as concrete and steel related products and the inspection costs on the site condition and the survey costs for certain slope works processes;
- (f) transportation expenses, which mainly represent expenses for transporting away the dump and other construction wastes resulting from our slope works from work sites to landfills and fees for transporting our machinery to and from work sites;
- (g) depreciation, which represents depreciation charges in respect of our machinery and motor vehicles which are directly involved in our projects;
- (h) rent, which represents rental costs for renting machinery necessary for carrying out our slope works and the rental expenses for site offices; and
- (i) others, which include various miscellaneous expenses such as construction levies and repair and maintenance 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 fluctuations in our direct costs.

Other income

The table below sets forth a breakdown of our other income during the Track Record Period:

	FY2014/15	FY2015/16
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1	1
Insurance compensations	248	—
Gain on disposal of property, plant and equipment	—	52
	<u>249</u>	<u>53</u>

Our other income during the Track Record Period mainly comprised:

- (a) bank interest income, which represents bank interest income recognised for deposits at banks;
- (b) insurance compensations, which represented insurance compensations for certain workers' injury cases which took place prior to the Track Record Period and for which the relevant settlements took place during FY2014/15; and
- (c) gain on disposal of property, plant and equipment, which was recognised due to the disposal of motor vehicles during the Track Record Period due to replacement.

FINANCIAL INFORMATION

Please refer to the paragraph headed “Period-to-period comparison of results of operations” of this section for a discussion of fluctuations in our other income.

Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2014/15		FY2015/16	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs (including Directors' remuneration)	610	47.65	790	20.57
Depreciation	22	1.72	138	3.59
Operating lease and related charges	107	8.36	258	6.72
Motor vehicle expenses	180	14.06	165	4.29
Entertainment	132	10.31	74	1.93
Professional fees	17	1.33	223	5.80
Auditors' remuneration	72	5.63	90	2.34
Listing expenses	—	—	1,945	50.62
Others	140	10.94	159	4.14
	<u>1,280</u>	<u>100.00</u>	<u>3,842</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 back office staff;
- (b) depreciation, which represents depreciation charges in respect of our leasehold improvements, furniture and fixtures, and motor vehicles which are used for general and administrative purpose;
- (c) operating lease and related charges, which represent rental costs, building management fees and rates in respect of our leased office premises;
- (d) motor vehicle expenses, which represent daily operating costs in relation to the use of our motor vehicles for administrative purpose;
- (e) entertainment expenses, which mainly represent costs incurred to maintain relationship with our existing and potential customers and suppliers;
- (f) professional fees, which include accountancy advisory service fees, ISO certification service fees and safety audit fees;

FINANCIAL INFORMATION

- (g) auditors' remuneration, which are fees to our auditors;
- (h) listing expenses, which represent expenses in relation to the Listing; and
- (i) others, which mainly include bank charges, utilities and telecommunications expenses, donations to industry associations, printing and stationery costs and insurance expenses for maintaining office insurance policies.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" of this section for a discussion of fluctuations in our administrative expenses.

Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the respective years during the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before income tax as follows:

	FY2014/15	FY2015/16
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	12,577	15,844
Tax at Hong Kong profits tax rates of 16.5%	2,075	2,614
Tax effect of non-deductible expenses	—	321
Statutory tax concession	(20)	—
Unrecognised temporary differences	—	7
Others	(26)	—
Income tax expense for the year	<u>2,029</u>	<u>2,942</u>

Despite the respective amounts of income tax expense provided for each of FY2014/15 and FY2015/16 as shown in the above table, during FY2014/15, we recorded cash outflow for tax payment of only approximately HK\$289,000, while during FY2015/16, we recorded cash inflow arising from tax refund of approximately HK\$321,000. This is because of the difference between the period of the year of assessment defined under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and the period of the financial year adopted by our Group, resulting in differences in the timing between making tax provision and making actual tax payment.

FINANCIAL INFORMATION

Pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and according to the information pamphlet titled “A Brief Guide to Taxes Administered by the Inland Revenue Department 2015-2016” published by the Inland Revenue Department of the Government, profits tax is charged on the assessable profits for a year of assessment (which refers to the period of 12 months commencing on 1 April in any year). The assessable profits for a business which makes up annual accounts are calculated on the profits of the year of account ending in the year of assessment. In addition, in the year of assessment itself, a provisional tax is to be paid based on the profits assessed for the preceding year.

As such, for Tai Kam Construction (whose annual accounts are made up to 30 April each year), after each year of assessment (for example, after the year of assessment of 1 April 2013 to 31 March 2014), Tai Kam Construction would file profits tax return for its financial year with the year-end date falling within that year of assessment (i.e., the financial year ended 30 April 2013 in this example). Actual tax payment is usually made a few months after the filing of the profits tax return.

Therefore, the actual profits tax payment made by and the profits tax refund received by Tai Kam Construction during the Track Record Period were in relation to financial years prior to the Track Record Period. Specifically, the profits tax payment made by Tai Kam Construction during FY2014/15 was in relation to its assessable profits for the financial year ended 30 April 2013 (together with provisional tax), while the profits tax refund received by Tai Kam Construction during FY2015/16 was in relation to its assessable profits for the financial year ended 30 April 2014 (with refund due to provisional tax over-paid in prior year).

Similar differences in the timing between making tax provision and making actual tax payment also apply to Ease Geotechnical, whose annual accounts are made up to 30 June each year.

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year divided by profit before income tax) were as follows:

	FY2014/15	FY2015/16
Effective tax rate	16.13%	18.57%

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2015/16 compared with FY2014/15

Revenue

Our revenue increased from approximately HK\$77.68 million for FY2014/15 to approximately HK\$97.19 million for FY2015/16, representing an increase of approximately 25.12% or approximately HK\$19.51 million. Such increase was mainly due to the following:

- (i) We recorded an increase in the number of Government projects with revenue contribution to us and an increase in our revenue derived from such Government projects as illustrated in the table below:

	Number of projects with revenue contribution to us (Note)		Corresponding amount of revenue recognised	
	FY2014/15	FY2015/16	FY2014/15 <i>HK\$'000</i>	FY2015/16 <i>HK\$'000</i>
Government projects	6	8	74,871	92,778
Non-Government projects	<u>5</u>	<u>4</u>	<u>2,812</u>	<u>4,416</u>
Total	<u><u>11</u></u>	<u><u>12</u></u>	<u><u>77,683</u></u>	<u><u>97,194</u></u>

Note: Projects with revenue contribution to us in both FY2014/15 and FY2015/16 are counted in both financial years in the above table. Out of the eight Government projects and four non-Government projects which contributed revenue to FY2015/16, four Government projects and one non-Government project also contributed revenue to FY2014/15.

FINANCIAL INFORMATION

- (ii) In particular, we derived a significant amount of revenue from CEDD's slope works projects that were ongoing or commenced during the Track Record Period, which was due to our actual works progress under the relevant contracts as certified by CEDD or its agents:

Project (Note)	Date of commencement of works	Actual or expected date of completion of works	Amount of revenue recognised	
			FY2014/15 HK\$'000	FY2015/16 HK\$'000
1	May 2011	August 2015	9,942	595
4	January 2013	April 2016	27,242	8,338
5	September 2013	April 2016	25,582	29,978
15	June 2015	March 2018	—	11,182
16	June 2015	March 2018	—	11,314
17	July 2015	October 2017	—	14,310
18	December 2015	June 2018	—	3,927
		Total:	<u>62,766</u>	<u>79,644</u>

Note: The project numbers shown in the table above correspond to the numbers shown in the list of projects under the section headed "Business — Projects undertaken during the Track Record Period" in this prospectus.

Direct costs

Our direct costs increased from approximately HK\$64.08 million for FY2014/15 to approximately HK\$77.56 million for FY2015/16, representing an increase of approximately 21.05%, which was lower than the increase of approximately 25.12% in our revenue over the same period.

The two most significant components of our direct costs were subcontracting charges and staff costs, which are, to a certain extent, inter-related to each other, because we may either employ our direct labours or engage subcontractors to perform certain site works. Therefore, given the same amount of works and with all else being the same, staff costs and subcontracting charges are generally inversely related.

In FY2015/16 compared to FY2014/15, we increased the use of our own labour resources relative to our engagement of subcontractors for the performance of site works, as evidenced by:

- (i) the increase in our direct staff costs from approximately HK\$12.12 million for FY2014/15 (or approximately 18.92% of our total direct costs for FY2014/15) to approximately HK\$17.95 million for FY2015/16 (or approximately 23.14% of our total direct costs for FY2015/16), representing an increase of approximately 48.02%, which was notably higher than the increase of approximately 25.12% in our revenue over the same period; and

FINANCIAL INFORMATION

- (ii) the proportionally smaller increase in our subcontracting charges from approximately HK\$39.85 million for FY2014/15 (or approximately 62.19% of our total direct costs for FY2014/15) to approximately HK\$45.23 million for FY2015/16 (or approximately 58.32% of our total direct costs for FY2015/16), representing an increase of approximately 13.50%, which was notably lower than the increase of approximately 25.12% in our revenue over the same period.

Our Directors consider that holding all else the same, the use of our own direct labour resources (as compared to engaging subcontractors) would generally lead to a higher profit margin for our Group because a profit markup is generally factored in the fees charged by subcontractors. Therefore, our Directors consider that the lower percentage increase in our direct costs than the percentage increase in our revenue in FY2015/16 compared to FY2014/15 was mainly due to the relative increase in our use of direct labour resources in FY2015/16 compared to FY2014/15 as illustrated above.

Gross profit and gross profit margin

Our gross profit and gross profit margin during the Track Record Period were as follows:

	FY2014/15	FY2015/16
Revenue (HK\$'000)	77,683	97,194
Gross profit (HK\$'000)	13,608	19,633
Gross profit margin	17.52%	20.20%

Our gross profit margin increased by approximately 2.68 percentage points from approximately 17.52% for FY2014/15 to approximately 20.20% for FY2015/16 mainly due to the lower percentage increase in our direct costs than the percentage increase in our revenue as explained above.

Other income

Our other income decreased from approximately HK\$249,000 for FY2014/15 to approximately HK\$53,000 for FY2015/16, representing a decrease of approximately 78.71%, which was primarily due to the recognition of insurance compensations of approximately HK\$248,000 in FY2014/15 (FY2015/16: nil) for certain workers' injury cases which took place prior to the Track Record Period and for which the relevant settlements took place during FY2014/15.

Administrative expenses

Our administrative expenses increased significantly by approximately 200.16% from approximately HK\$1.28 million for FY2014/15 to approximately HK\$3.84 million for FY2015/16. Such increase was mainly due to (i) the non-recurring listing expenses of approximately HK\$1.94

FINANCIAL INFORMATION

million incurred in FY2015/16 (FY2014/15: nil) in relation to the Listing; and (ii) the increase in the operating lease and related charges due to the relocation of our general office with higher rental costs in FY2015/16.

Profit before tax and income tax expense

Our profit before tax increased by approximately 25.98% from approximately HK\$12.58 million for FY2014/15 to approximately HK\$15.84 million for FY2015/16 as a result of all of the aforesaid, including in particular the increase in our revenue and gross profit margin, partially offset by the recognition of listing expenses in FY2015/16 as explained above.

Despite the increase of approximately 25.98% in our profit before tax, our income tax expense increased from approximately HK\$2.03 million for FY2014/15 to approximately HK\$2.94 million for FY2015/16, representing an increase of approximately 45.00%, which was notably more than the percentage increase in our profit before tax as a result of the tax effect of the non-deductible listing expenses incurred in FY2015/16 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 gross profit, the recognition of listing expenses in FY2015/16, and the tax effect of the non-deductible listing expenses as explained above, our profit and total comprehensive income increased from approximately HK\$10.55 million for FY2014/15 to approximately HK\$12.90 million for FY2015/16, representing an increase of approximately 22.32%.

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 business operation and our working capital needs 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 2016, we had cash and bank balances of approximately HK\$18.98 million. As at the Latest Practicable Date, we had unutilised available banking facilities of HK\$15.00 million.

FINANCIAL INFORMATION

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2014/15 <i>HK\$'000</i>	FY2015/16 <i>HK\$'000</i>
Net cash generated from operating activities	3,128	4,558
Net cash used in investing activities	(1,443)	(1,097)
Net cash used in financing activities	—	<u>(8,070)</u>
Net increase/(decrease) in cash and cash equivalents	1,685	(4,609)
Cash and cash equivalents at beginning of year	19,842	<u>21,527</u>
Cash and cash equivalents at end of year	<u>21,527</u>	<u>16,918</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 expenses. Net cash generated from operations primarily consisted of profit before income tax adjusted for depreciation, gain on disposal of property, plant and equipment and the effect of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables, and amount due to or from customers for contract work.

The following table sets forth a reconciliation of our profit before income tax to net cash generated from operating activities:

	FY2014/15 <i>HK\$'000</i>	FY2015/16 <i>HK\$'000</i>
Operating activities		
Profit before income tax	12,577	15,844
Adjustment for:		
Depreciation	708	831
Gain on disposal of property, plant and equipment	—	(52)
Interest income	<u>(1)</u>	<u>(1)</u>
Operating profit before working capital changes	13,284	16,622
Increase in trade and other receivables	(1,841)	(11,231)
Decrease/(increase) in amounts due from customers for contract work	742	(360)
Decrease in amount due to a director	(10,080)	(4,022)
Increase in trade and other payables	1,133	341
Increase in amounts due to customers for contract work	<u>179</u>	<u>2,887</u>
Cash generated from operations	3,417	4,237
Income tax (paid)/refund	<u>(289)</u>	<u>321</u>
<i>Net cash generated from operating activities</i>	<u>3,128</u>	<u>4,558</u>

FINANCIAL INFORMATION

For FY2014/15, we recorded operating profit before working capital changes of approximately HK\$13.28 million and net cash generated from operations of approximately HK\$3.42 million. The difference was mainly due to the cash outflow for the settlement of amount due to a director of approximately HK\$10.08 million during FY2014/15.

For FY2015/16, we recorded operating profit before working capital changes of approximately HK\$16.62 million and net cash generated from operations of approximately HK\$4.24 million. The difference was mainly due to the cash outflow for prepayments of listing expenses of approximately HK\$4.70 million during the year and for further cash settlement of amount due to a director of approximately HK\$4.02 million, and is also affected by the amount and timing of receipts from customers and payments to suppliers.

Cash flows from investing activities

	FY2014/15	FY2015/16
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases of property, plant and equipment	(1,444)	(1,150)
Proceeds from disposal of property, plant and equipment	—	52
Interest received	<u>1</u>	<u>1</u>
Net cash used in investing activities	<u><u>(1,443)</u></u>	<u><u>(1,097)</u></u>

During the Track Record Period, our cash inflows from investing activities included proceeds from the disposal of motor vehicles and cash generated from interest received from bank deposits, while our cash outflows from investing activities included cash used in the purchase of property, plant and equipment.

For FY2014/15, we recorded net cash used in investing activities of approximately HK\$1.44 million, which was mainly due to cash used in the purchase of machinery and equipment and motor vehicles. For FY2015/16, we recorded net cash used in investing activities of approximately HK\$1.10 million, which was mainly due to cash used in the purchase of furniture and fixtures for office use and motor vehicles of approximately HK\$1.15 million, slightly offset by the proceeds from the disposal of motor vehicles of approximately HK\$52,000.

Cash flows from financing activities

	FY2014/15	FY2015/16
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital injection into a subsidiary	—	1,525
Dividend paid	<u>—</u>	<u>(9,595)</u>
Net cash used in financing activities	<u><u>—</u></u>	<u><u>(8,070)</u></u>

FINANCIAL INFORMATION

During the Track Record Period, our cash inflows from financing activities included proceeds from the issuance of share capital while our cash outflows from financing activities included cash used in paying dividends.

For FY2014/15, there was no cash generated from or used in financing activities. For FY2015/16, we recorded net cash used in financing activities of approximately HK\$8.07 million, which was mainly due to cash used in paying dividends of approximately HK\$9.60 million during FY2015/16, partially offset by the proceeds from the issuance of share capital of Ease Geotechnical of HK\$1,525,000 as disclosed in the section headed “History and development — Companies in our Group — Ease Geotechnical” in this prospectus.

Capital expenditures

During the Track Record Period, our Group did not incur material capital expenditures because the performance of slope works generally does not require a significant investment in machinery and equipment other than those discussed in the sections headed “Business — Business strategy” and “Business — Machinery and motor vehicles”. Our capital expenditures during the Track Record Period amounted to approximately HK\$2.59 million in aggregate, which comprised approximately HK\$1.26 million for motor vehicles, approximately HK\$0.83 million for machinery and equipment, and approximately HK\$0.50 million for leasehold improvement, 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 operations, 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.

FINANCIAL INFORMATION

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 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>	As at 31 August 2016 <i>HK\$'000</i> <i>(unaudited)</i>
Current assets			
Trade and other receivables	12,070	23,301	25,004
Amounts due from customers for contract work	2,653	3,013	4,859
Cash and bank balances	<u>21,527</u>	<u>16,918</u>	<u>18,976</u>
	<u>36,250</u>	<u>43,232</u>	<u>48,839</u>
Current liabilities			
Trade and other payables	8,074	8,415	9,499
Amount due to a director	8,597	—	—
Amounts due to customers for contract work	199	3,086	4,092
Tax payable	<u>1,762</u>	<u>4,986</u>	<u>5,573</u>
	<u>18,632</u>	<u>16,487</u>	<u>19,164</u>
Net current assets	<u><u>17,618</u></u>	<u><u>26,745</u></u>	<u><u>29,675</u></u>

The increase in our current assets as a result of our business growth in FY2015/16, including the increase in our trade and other receivables and amounts due from customers for contract work, as well as the increase in our cash and bank balances before the use of cash for the settlement of the amount due to a Director (Mr. KS Lau) of approximately HK\$4.02 million during FY2015/16.

As at 31 August 2016, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$29.68 million.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

FINANCIAL INFORMATION

Trade and other receivables

Our trade and other receivables as at 30 April 2015 and 2016 amounted to approximately HK\$12.07 million and approximately HK\$23.30 million respectively. The following table sets forth a breakdown of our trade and other receivables:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,645	9,338
Retention receivables	2,842	4,103
Other receivables, deposits and prepayments	<u>1,583</u>	<u>9,860</u>
	<u>12,070</u>	<u>23,301</u>

Our trade receivables increased from approximately HK\$7.65 million as at 30 April 2015 to approximately HK\$9.34 million as at 30 April 2016, representing an increase of approximately 22.15%, which was lower than the percentage increase in our revenue of approximately 25.12%. 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\$2.84 million as at 30 April 2015 to approximately HK\$4.10 million as at 30 April 2016, representing an increase of approximately 44.37%, which was primarily because of the increase in the amount of retention money withheld by our customers (in particular, customers of Government projects) pursuant to the relevant contract terms, along with the increase in our revenue derived from Government projects with retention money requirements.

Our other receivables, deposits and prepayments increased from approximately HK\$1.58 million as at 30 April 2015 to approximately HK\$9.86 million as at 30 April 2016, which was primarily due to the prepayments of listing expenses of approximately HK\$2.76 million, prepayment of insurance expenses of HK\$3.00 million and an advance payment of approximately HK\$3.00 million paid to one of our subcontractors near the financial year end date. The advance payment of approximately HK\$3.00 million paid to one of our subcontractors was a commercial term requested by the subcontractor and agreed by us after considering the pricing of the subcontractor, the quality of its services, and the fact that the amount of such advance payment was equivalent to the value of only less than two months' works agreed to be performed by such subcontractor.

FINANCIAL INFORMATION

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2014/15	FY2015/16
Trade receivables turnover days (<i>Note</i>)	29.19 days	31.89 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 29.19 days for FY2014/15 and approximately 31.89 days for FY2015/16, which remained relatively stable and were within the normal credit period of 21 to 60 days offered to customers.

As the majority of our revenue during the Track Record Period was derived from Government projects awarded by the CEDD, the Housing Authority and the AFCD, 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 non-Government 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 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 is as follows:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	7,645	7,146
31 - 60 days	—	2,152
61 - 90 days	—	—
Over 90 days	—	40
	7,645	9,338

FINANCIAL INFORMATION

The ageing analysis of our trade receivables which were past due but not impaired is as follows:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	7,645	7,146
Less than 30 days past due	—	2,152
31 - 60 days past due	—	—
61 - 90 days past due	—	—
Over 90 days past due	—	40
	<u>7,645</u>	<u>9,338</u>

Up to the Latest Practicable Date, approximately 99.57% (or approximately HK\$9.30 million) of our trade receivables as at 30 April 2016 had been settled:

	Trade receivables as at 30 April 2016	Subsequent settlement up to the Latest Practicable Date	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Neither past due nor impaired	7,146	7,146	100
Less than 30 days past due	2,152	2,152	100
31 - 60 days past due	—	—	—
61 - 90 days past due	—	—	—
Over 90 days past due	40	—	—
	<u>9,338</u>	<u>9,298</u>	99.57

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 2016, trade receivables that were past due but not impaired related to customers that have a good track record with our Group. 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 considered to be fully recoverable.

Retention money is usually withheld by customers for a prolonged period of time until 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.

FINANCIAL INFORMATION

Our Directors confirm that we had not experienced any material defaults of trade receivables from customers during the Track Record Period and up to the Latest Practicable Date.

Trade and other payables

As at 30 April 2015 and 2016, our trade and other payables amounted to approximately HK\$8.07 million and approximately HK\$8.42 million respectively. A breakdown of our trade and other payables is set out in the table below:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,754	5,493
Retention payables	1,425	1,016
Accruals and other payables	<u>1,895</u>	<u>1,906</u>
	<u>8,074</u>	<u>8,415</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 headed “Business — Suppliers — Control over subcontractors” of this prospectus). Our accruals and other payables mainly include accruals and payables for staff salaries and allowances and professional fees.

Our trade payables increased from approximately HK\$4.75 million as at 30 April 2015 to approximately HK\$5.49 million as at 30 April 2016, representing an increase of approximately 15.54%. Such increase was mainly due to our business growth, resulting in our increased payables to subcontractors as at the financial year-end date.

Our retention payables decreased from approximately HK\$1.43 million as at 30 April 2015 to approximately HK\$1.02 million as at 30 April 2016, which was mainly due to the different amounts of retention money withheld by us from our subcontractors pursuant to the relevant subcontracting agreements.

The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	4,744	5,484
31 - 60 days	<u>10</u>	<u>9</u>
	<u>4,754</u>	<u>5,493</u>

FINANCIAL INFORMATION

Up to the Latest Practicable Date, approximately 99.93% (or approximately HK\$5.49 million) of our trade payables as at 30 April 2016 had been settled.

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2014/15	FY2015/16
Trade payables turnover days (<i>Note</i>)	34.00 days	33.93 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 our relevant direct costs (including subcontracting charges, costs of direct materials and consumables, costs of testing and survey, and transportation expenses) 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 were approximately 34.00 days for FY2014/15 and approximately 33.93 days for FY2015/16, which remained relatively stable. We are usually offered by suppliers a credit period of 7 working days upon receipt of payments by us from our customers, or from zero to 30 days from invoice date.

Amount due to a Director

The following table sets out the details of amount due to a Director:

	As at 30 April 2015	As at 30 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to Mr. KS Lau	<u>8,597</u>	<u>—</u>

The amount due to Mr. KS Lau is unsecured, non-interest bearing and repayable on demand. During the Track Record Period, such amount represented cash advanced by Mr. KS Lau to our Group for working capital purpose. All outstanding balance has been fully settled in April 2016.

Amounts due from/(to) customers for contract work

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 for contract work 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 for contract work under our current assets.

FINANCIAL INFORMATION

The following table sets out the details of our amounts due from/(to) customers for contract work as at the dates indicated:

	As at 30 April 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	91,655	113,812
Less: progress billings	<u>89,201</u>	<u>(113,885)</u>
	<u>2,454</u>	<u>(73)</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	2,653	3,013
Amounts due to customers for contract work	<u>(199)</u>	<u>(3,086)</u>
	<u>2,454</u>	<u>(73)</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

Cash and bank balances

As at 30 April 2015 and 2016, all cash and bank balances were denominated in HK\$ and represented cash at banks. Cash at banks earns interest at floating rates based on daily bank deposit rates.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the dates indicated. As at 31 August 2016, being the most recent practicable date for the purpose of the disclosure of our indebtedness position, saved as disclosed below under this paragraph headed "Indebtedness", we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities, or guarantees. Our Directors confirmed that during the Track Record Period, we did not experience any withdrawal of banking facilities, default in payment of trade and non-trade payables or borrowings, or breach of financial covenants. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there had not

FINANCIAL INFORMATION

been any material change in our indebtedness or contingent liabilities since 30 April 2016 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 30 April 2015 <i>HK\$'000</i>	As at 30 April 2016 <i>HK\$'000</i>	As at 31 August 2016 <i>HK\$'000</i> <i>(unaudited)</i>
Current:			
Amount due to a Director	<u>8,597</u>	<u>—</u>	<u>—</u>
	<u>8,597</u>	<u>—</u>	<u>—</u>

Banking facilities

During the Track Record Period, our Group obtained certain banking facilities from banks in Hong Kong but did not make any drawdown from our available banking facilities. The banking facilities maintained by us during the Track Record Period were obtained in order to ensure that we were able to satisfy the working capital requirement applicable to approved specialist contractors included in the List of Approved Specialist Contractors for Public Works, having considered the value of our projects as well as our available cash level and other liquid resources from time to time and the fact that the available unutilised amount from those banking facilities were counted towards our available working capital for the purpose of satisfying the aforesaid working capital requirement. The banking facilities maintained by us during the Track Record Period were secured by, among other things, personal guarantees of Mr. KS Lau, which were all released following the expiry or termination (at our request) of such banking facilities during the Track Record Period.

As at the Latest Practicable Date, there were two banking facilities made available to us by a bank in Hong Kong with an aggregate limit of HK\$15.00 million. As at the Latest Practicable Date, we had not made any drawdown from such facilities and the unutilised amount available from such facilities was HK\$15.00 million. The interest rates under the two facilities were 2% per annum above the Hong Kong interbank offered rate and 1% per annum above the bank's HKD best lending rate respectively. Such facilities were secured by (i) a charge over securities and deposits from time to time placed by us to the bank, including without limitation a charge over our deposit of HK\$3 million placed with the bank; and (ii) an unlimited guarantee from Mr. KS Lau and Mr. Sanny Lau, which, as agreed by the bank, will be released upon Listing and replaced by an unlimited guarantee from our Company.

Amount due to a Director

As at 30 April 2015 the amount due to a Director amounted to HK\$8.60 million. Amount due to a Director represents amount due to Mr. KS Lau which is unsecured, non-interest bearing and repayable on demand. Such amount represents advances from Mr. KS Lau to us for working capital purpose and has been fully repaid by us to Mr. KS Lau as to HK\$4,575,000 by way of capitalisation

FINANCIAL INFORMATION

through the issue and allotment of new shares of Ease Geotechnical on 7 April 2016 as disclosed in the section headed “History and development — Companies in our Group — Ease Geotechnical” in this prospectus and as to the remaining balance by way of cash settlement in April 2016. As at 30 April 2016 and 31 August 2016, we had no amounts due to any Directors.

Operating lease commitments

At 30 April 2015 and 2016 and 31 August 2016, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating leases are as follows:

	As at 30 April 2015	As at 30 April 2016	As at 31 August 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Within one year	88	434	434
In the second to fifth years	—	254	109
	<u>88</u>	<u>688</u>	<u>543</u>

As at 30 April 2016 and 31 August 2016, the future minimum lease payments payable by our Group (as lessee) under a non-cancellable operating lease represent the rental payments in respect of the lease of our current office premises as disclosed in the section headed “Business — Property” in this prospectus.

Capital commitments

As at 30 April 2015 and 2016 and 31 August 2016, our capital commitments are as follows:

	As at 30 April 2015	As at 30 April 2016	As at 31 August 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Contracted but not provided for			
- Property, plant and equipment	—	320	—

As at 30 April 2016, our capital commitments were related to our purchase of a generator in the amount of HK\$320,000 from an independent machinery vendor for use in our carrying out of slope works. The capital commitments of HK\$320,000 were subsequently settled in August 2016 and there was no capital commitment as at 31 August 2016.

FINANCIAL INFORMATION

Contingent liabilities

As at 30 April 2015 and 2016 and 31 August 2016, we have been involved in certain 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 any material impact on our financial information as they were, or are expected to be, fully covered by insurance and/or our relevant subcontractors. 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

	FY2014/15 or as at 30 April 2015	FY2015/16 or as at 30 April 2016
Revenue growth	N/A	25.12%
Net profit growth	N/A	22.32%
Gross profit margin	17.52%	20.20%
Net profit margin before interest and tax	16.19%	16.30%
Net profit margin	13.58%	13.27%
Return on equity	53.07%	44.06%
Return on total assets	27.19%	27.99%
Current ratio	1.95	2.62
Quick ratio	1.95	2.62
Inventories turnover days	N/A	N/A
Trade receivables turnover days	29.19 days	31.89 days
Trade payables turnover days	34.00 days	33.93 days
Gearing ratio	43.25%	0.00%
Net debt to equity ratio	Net cash	Net cash
Interest coverage	N/A	N/A

Revenue growth

Our revenue increased from approximately HK\$77.68 million for FY2014/15 to approximately HK\$97.19 million for FY2015/16. Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons of the increase in our revenue.

FINANCIAL INFORMATION

Net profit growth

Our profit and total comprehensive income for the year increased from approximately HK\$10.55 million for FY2014/15 to approximately HK\$12.90 million for FY2015/16. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons of the increase in our net profit.

Gross profit margin

Our gross profit margin was approximately 17.52% for FY2014/15 and approximately 20.20% for FY2015/16, representing an increase of approximately 2.68 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 year.

Our net profit margin before interest and tax was approximately 16.19% for FY2014/15 and approximately 16.30% for FY2015/16, representing a slight increase of approximately 0.11 percentage points. Despite the increase of approximately 2.68 percentage points in our gross profit margin as discussed above, our net profit margin before interest and tax increased by only approximately 0.11 percentage points, which was mainly due to the recognition of non-recurring listing expenses of approximately HK\$1.94 million in FY2015/16 (FY2014/15: nil).

If the listing expenses of approximately HK\$1.94 million were excluded, our net profit margin before interest and tax for FY2015/16 would have become approximately 18.30%, representing an increase of approximately 2.11 percentage points from that for FY2014/15, which would be generally consistent with the increase in our gross profit margin.

Net profit margin

Net profit margin is calculated as profit and total comprehensive income for the year divided by revenue of the year.

Our net profit margin was approximately 13.58% for FY2014/15 and approximately 13.27% for FY2015/16, representing a decrease of approximately 0.31 percentage points despite the slight increase in our net profit margin before interest and tax as discussed above. This was mainly due to the tax effect of the non-deductible listing expenses recognised in FY2015/16.

Return on equity and return on total assets

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 financial year-end date.

FINANCIAL INFORMATION

Return on total assets is calculated as profit for the year attributable to owners of our Company divided by the ending total assets as at the financial year-end date.

Our return on total assets increased from approximately 27.19% for FY2014/15 to approximately 27.99% for FY2015/16, representing an increase of approximately 0.80 percentage points. The increase in our return on total assets was mainly because of the more efficient use of our resources as evidenced by the increase in our gross profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” above in this section, as well as the downward effect on our ending balance of total assets as at 30 April 2016 following our use of cash for the settlement of the amount due to Mr. KS Lau and our use of cash for the payment of dividends in FY2015/16.

Despite the increase in our return on total assets, our return on equity decreased from approximately 53.07% for FY2014/15 to approximately 44.06% for FY2015/16, which was mainly because of our relatively reduced use of cash advances from Mr. KS Lau (which were not part of our Group’s equity capital) to finance our operation in FY2015/16 than in FY2014/15, resulting in a relatively increased use of our equity capital to finance our operation, as evidenced by an increase in the proportion of our total equity to our total assets from approximately 51.24% as at 30 April 2015 to approximately 63.53% as at 30 April 2016.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.95 as at 30 April 2015 to approximately 2.62 as at 30 April 2016. The increase in current ratio was mainly due to the increase in our current assets as a result of our business growth in FY2015/16, including the increase in our trade and other receivables and amounts due from customers for contract work, as well as the increase in our cash and bank balances before the use of cash for the settlement of the amount due to a Director (Mr. KS Lau) of approximately HK\$4.02 million during FY2015/16.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not maintain 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, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

FINANCIAL INFORMATION

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 29.19 days for FY2014/15 and approximately 31.89 days for FY2015/16, 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 our relevant direct costs (including subcontracting charges, costs of direct materials and consumables, costs of testing and survey, and transportation expenses) 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 were approximately 34.00 days for FY2014/15 and approximately 33.93 days for FY2015/16, which remained relatively stable.

Gearing ratio

Gearing ratio is calculated as total borrowings (including payables incurred not in our ordinary course of business) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 43.25% as at 30 April 2015 and was zero as at 30 April 2016. As at 30 April 2015, we had amount due to Mr. KS Lau of approximately HK\$8.60 million which were used for financing our business operation. As at 30 April 2016, we did not have any outstanding borrowings as our business operations could be adequately supported by our internal resources.

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 dates.

We recorded net cash positions as at both 30 April 2015 and 2016.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our Group did not have any interest-bearing borrowings during the Track Record Period and therefore no finance costs were incurred during the Track Record Period.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 24 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	Year ended	Year ended
		30 April 2015	30 April 2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Sunny Lau and Mr. MC Lau	Rental payments by us to Mr. Sunny Lau and Mr. MC Lau for the lease of a property	<u>96</u>	<u>88</u>

During the Track Record Period, prior to the relocation of our office to our current premises leased from an independent third party (as set forth in the section headed "Business — Property" in this prospectus), we leased a property owned by Mr. Sunny Lau and Mr. MC Lau for use as our general office. It is the view of our Directors that such related party transactions were conducted in our ordinary and usual course of business and on an arm's length basis, and were fair and reasonable and would not distort our financial results during the Track Record Period, having regard to the then prevailing market rent as assessed by an independent valuer.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business — Risk management and internal control systems" and note 26 in section II of the accountants' report set out in Appendix I to this prospectus.

Capital management

Our capital management objectives are to ensure our ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support our business, and maximise Shareholders' value.

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. Depending on our capital structure and needs from time to time, we may balance our overall capital structure through adjusting the amount of dividends paid to Shareholders, conducting share buybacks, issuing new Shares, and/or raising new debts.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Placing on the audited combined net tangible assets of our Group attributable to owners of our

FINANCIAL INFORMATION

Company as of 30 April 2016 as if the Placing had taken place on 30 April 2016, was approximately HK\$0.35 per Share. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$20.44 million. Out of the amount of approximately HK\$20.44 million, approximately HK\$6.29 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\$14.15 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$14.15 million that shall be charged to profit or loss, nil and approximately HK\$1.94 million has been charged for each of FY2014/15 and FY2015/16 respectively, and approximately HK\$12.21 million is expected to be incurred for FY2016/17. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2016/17 will be affected by the expenses in relation to the Listing.

DIVIDEND

For each of FY2014/15 and FY2015/16, we declared dividends of nil and approximately HK\$9.60 million respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to 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 1 April 2016. As at 30 April 2016, our Company had no reserve available for distribution to our Shareholders.

RULES 17.15 TO 17.21 OF 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.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 April 2016, and there had been no events since 30 April 2016 which would materially affect the information shown in our combined financial information included in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGY

Our principal business objective is to further strengthen our position as an established slope works contractor in Hong Kong. We intend to achieve our business objective by expanding our scale of operation through actively seeking opportunities in undertaking additional slope works contracts on top of our present scale of operation and our current contracts on hand.

Our current intended business strategy is to enhance our machinery, equipment and manpower as well as to increase our available working capital, so as to enable us to expand our business by undertaking additional Government slope works contracts, to be executed by our own direct labour resources without any substantial use of subcontractors.

Our Directors estimate that the proceeds from the Placing will enable our Group to undertake additional slope works contracts (on top of our present scale of operation and our current contracts on hand) with an aggregate contract sum of approximately HK\$140 million to HK\$180 million (assuming a contract period of approximately two to three years).

Based on the information currently available to us, our Group presently intends to pursue tender opportunities offered by the CEDD for the implementation of our business strategy. Specifically, based on the “Forecast of Invitations to Tender” published on the website of the Development Bureau and due to reasons set out in the section headed “Business — Business strategy — Reasonableness and feasibility of our business strategy” in this prospectus, our Directors are confident that if additional funding from the Placing is available to our Group, we will be able to undertake two additional CEDD slope works contracts by the end of FY2016/17, each with a contract sum of approximately HK\$70 million to HK\$90 million and a contract period of approximately two to three years. Nevertheless, such two additional CEDD slope works contracts were not yet available for tendering as at the Latest Practicable Date and the award of such contracts is uncertain. If we are successful in obtaining such two additional CEDD contracts as planned, we intend to apply the proceeds from the Placing in the manner as detailed in the paragraph headed “Implementation plan” below.

In the event that we are unable to obtain the aforesaid two additional CEDD contracts as intended, our Directors believe that with the proceeds from the Placing and due to reasons discussed in the section headed “Business — Business strategy — Reasonableness and feasibility of our business strategy” in this prospectus, we will be able to obtain additional slope works contracts from other Government departments and agencies with an aggregate contract sum of approximately HK\$140 million to HK\$180 million for the implementation of our business strategy. In such case, we will apply the proceeds from the Placing in a similar manner as discussed in the paragraph headed “Implementation plan” below.

For further information regarding our business strategy, please refer to the section headed “Business — Business strategy” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 30 April 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-section headed "Bases and assumptions" below. 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:

Period	Item	Cost <i>HK\$ million</i>
From the Latest Practicable Date to 30 April 2017	Addition of machinery, equipment and motor vehicles	
	— 2 air compressors	1.10
	— 4 motor vehicles	1.60
	— Miscellaneous tools and equipment	<u>0.60</u>
		3.30
	Additional staff costs (<i>Note 1</i>)	
	— 2 project managers	0.56
	— 2 site agents	0.56
	— 2 safety officers	0.45
	— 2 labour officers	0.17
	— 2 environmental officers	0.17
	— About 6-8 assistant engineers and foremen	1.13
	— About 25-30 site LPM and supporting workers	<u>2.36</u>
		5.40
	3.60	
	<u>12.30</u>	
From 1 May 2017 to 31 October 2017	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	6.48
	Sub-total for the period	<u><u>6.48</u></u>

FUTURE PLANS AND USE OF PROCEEDS

Period	Item	Cost <i>HK\$ million</i>
From 1 November 2017 to 30 April 2018	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	7.29
	Sub-total for the period	<u>7.29</u>
From 1 May 2018 to 31 October 2018	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	7.29
	Sub-total for the period	<u>7.29</u>
From 1 November 2018 to 30 April 2019	Additional staff costs for retaining the aforesaid additional employees for the period, taking into account potential increase in wage level	8.20
	Sub-total for the period	<u>8.20</u>
Sub-total		<u>41.56</u>
Throughout the Latest Practicable Date to 30 April 2019	Amount earmarked for satisfying applicable working capital requirement (<i>Note 2</i>)	8.00
		<hr style="width: 100%;"/>
Total		<u>49.56</u>

Notes:

1. The type and number of additional staff are estimated based on the site worker requirements stated in past Government slope works contracts and the past experience of our Directors in dealing with slope works contracts of similar contract sum.
2. It is expected that an amount of approximately HK\$8.00 million is required to be earmarked throughout the period from the Latest Practicable Date to 30 April 2019 for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as 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”), on the assumption of an aggregate contract sum of the additional contracts of approximately HK\$160 million and an average contract period of approximately two years, and thus a combined annual value of uncompleted works on the additional contracts of approximately HK\$80 million.

FUTURE PLANS AND USE OF PROCEEDS

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 capital expenditure and 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 change 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.

REASONS FOR THE PLACING

Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies. As stated in the section headed "Business—Business strategy" in this prospectus, we intend to expand our scale of operation through actively seeking opportunities in undertaking additional slope works contracts on top of our present scale of operation and our current contracts on hand. The net proceeds of the Placing will provide financial resources to our Group to achieve such business strategy which will further strengthen our market position and expand our market share.

A public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that a public listing status on GEM could attract potential customers, suppliers and subcontractors who are more willing to establish business relationship with listed companies in particular in view of the fact that three out of the top five slope works contractors identified in the Ipsos Report have already been listed on the Stock Exchange. It will also generate reassurance among our Group's existing customers, suppliers and subcontractors and strengthen our competitiveness in the market.

FUTURE PLANS AND USE OF PROCEEDS

The Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development of our Group. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

USE OF PROCEEDS

The net proceeds to be received by us from the Placing based on the Placing Price of HK\$0.35 per Share, after deducting related expenses to be borne by us, are estimated to be approximately HK\$49.56 million. Our Directors presently intend that the net proceeds will be applied for satisfying certain costs and working capital requirement associated with our intended business strategy as disclosed in the section headed “Business — Business strategy” in this prospectus, and in accordance with our implementation plan as disclosed in the paragraph headed “Implementation plan” above in this section. In summary:

- approximately HK\$3.30 million (approximately 6.66% of the net proceeds) will be used for the addition of necessary machinery, equipment and motor vehicles associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in this prospectus;
- approximately HK\$34.66 million (approximately 69.94% of the net proceeds) will be used for recruiting and retaining additional staff necessary for our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in this prospectus;
- approximately HK\$3.60 million (approximately 7.26% of the net proceeds) will be used for other related initial costs (including those in relation to setting up site offices and taking out necessary project-related insurance policies) associated with our intended business strategy of undertaking additional Government slope works contracts as disclosed in the section headed “Business — Business strategy” in this prospectus; and
- approximately HK\$8.00 million (approximately 16.14% of the net proceeds) will be earmarked for satisfying the applicable working capital requirement in connection with the additional Government slope works contracts to be undertaken by us (specifically, the requirement of maintaining a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts, applicable to Tai Kam Construction at present as 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”).

FUTURE PLANS AND USE OF PROCEEDS

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

	From the Latest Practicable Date to 30 April 2017	From 1 May 2017 to 31 October 2017	From 1 November 2017 to 30 April 2018	From 1 May 2018 to 31 October 2018	From 1 November 2018 to 30 April 2019	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Addition of machinery, equipment and motor vehicles	3.30	—	—	—	—	3.30
Additional staff costs	5.40	6.48	7.29	7.29	8.20	34.66
Other related initial costs	<u>3.60</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3.60</u>
Sub-total	<u><u>12.30</u></u>	<u><u>6.48</u></u>	<u><u>7.29</u></u>	<u><u>7.29</u></u>	<u><u>8.20</u></u>	<u><u>41.56</u></u>
Working capital (<i>Note</i>)						<u>8.00</u>
						<u><u>49.56</u></u>

Note: The amount of approximately HK\$8.00 million is intended to be reserved throughout the period from the Latest Practicable Date to 30 April 2019, as explained in the section headed “Business — Business strategy” in this prospectus.

Our Directors consider that the net proceeds to be received by us from the Placing of about HK\$49.56 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 2019.

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 disclose such changes in our annual report in accordance with the GEM Listing Rules and will issue an announcement where the changes constitute inside information.

UNDERWRITING

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Dakin Securities Limited
Astrum Capital Management Limited

UNDERWRITERS

Dakin Securities Limited
Astrum Capital Management Limited
Guoyuan Capital (Hong Kong) Limited
Sorrento Securities Limited

UNDERWRITING AGREEMENT AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing on and subject to the terms and conditions set out in this prospectus and the Underwriting Agreement at the Placing Price.

Subject to, among other conditions, 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 and certain other conditions under the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) may agree but in any event not later than 30 days after the date of this prospectus, the Underwriters have severally agreed to subscribe or procure subscribers for the Placing Shares on the terms and conditions set out in this prospectus and the Underwriting Agreement.

Grounds for Termination

The Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Friday, 28 October 2016):

- (a) there has come to the notice of the Sponsor and/or the Joint Lead Managers:
 - (i) any statement contained in this prospectus, the formal notice, any submission(s), document(s) or information provided to the Sponsor and/or the Joint Lead Managers, any announcement(s) or document(s) issued by our Company in connection with the Placing (including any supplement(s) or amendment(s) thereto) (the “**Placing Documents**”), considered by the Sponsor and/or the Joint Lead Managers in its/their opinion was, when it was issued, or has become, or been discovered to be untrue,

UNDERWRITING

incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of the Placing Documents are not, in the opinion of the Sponsor and/or the Joint Lead Managers, fair and honest and based on reasonable assumptions, when taken as a whole;

- (ii) 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;
- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement;
- (iv) either (A) there has been a breach of any of the representations, warranties, undertakings or provisions of the Underwriting Agreement by any of our Company, executive Directors and Controlling Shareholders (collectively, the “**Warrantors**”); or (B) any matter or event showing or rendering any of the representations, warranties and undertakings given by the Warrantors in the Underwriting Agreement, as applicable, in the opinion of the Sponsor and/or the Joint Lead Managers, to be untrue, incorrect, inaccurate or misleading when given or repeated;
- (v) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement, in the opinion of the Sponsor and/or the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any respect;
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) our Company withdraws any of the Placing Documents (and/or any other documents used in connection with the contemplated subscription of the Placing Shares);
- (ix) any person (other than the Sponsor, the Joint Lead Managers and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Placing Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (x) any adverse change in the business or in the financial or trading position or prospects of our Group taken as a whole; or

UNDERWRITING

- (xi) any information, matter or event which in the absolute opinion of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) (A) is inconsistent in any respect with any information or declaration provided by any Director in the relevant Director's declaration, undertaking and acknowledgment (Appendix 6, Form A of the GEM Listing Rules), or (B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group;

- (b) there shall develop, occur, happen, exist or come into effect:
 - (i) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union, Japan, the Cayman Islands or any relevant jurisdiction (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”);

 - (ii) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any court(s), labour dispute(s), strike(s), calamity, crisis, lock-out(s) (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to the Severe Acute Respiratory Syndrome, H1N1 flu and H5N1 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in any of the Relevant Jurisdictions;

 - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;

 - (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;

UNDERWRITING

- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus;
- (vii) any litigation or claim being threatened or instigated against any member of our Group or any Director;
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against any Director or member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (xi) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Predecessor Companies Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s);
- (xii) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable law(s) and regulation(s);
- (xiv) other than with the written approval of the Sponsor and/or the Joint Lead Managers, the issue or requirement to issue by our Company of a supplement or amendment to any of the Placing Documents (and/or any other documents used in connection with the subscription of the Placing Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s), or any requirement or request of the Stock Exchange and/or the SFC;
- (xv) 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;

UNDERWRITING

- (xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim being threatened or instigated against our Company or any member of our Group);
- (xviii) a petition or an order 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 over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which each case or in aggregate in the opinion of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (A) is or will be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;
- (B) has or will have an adverse effect on the success, marketability of the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Placing Documents; or

UNDERWRITING

- (D) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Placing Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Undertakings under the Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with the Sponsor, the Joint Lead Managers and the Underwriters, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken to and covenanted with the Sponsor, the Joint Lead Managers and the Underwriters to procure that, save with the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters), or save pursuant to the Capitalisation Issue, the Placing or the issue of Shares upon exercise of any of the options which may be granted under the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:

- (a) 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));
- (b) 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;
- (c) purchase any securities of our Company; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sponsor, the Joint Lead Managers and the Underwriters that:

- (a) save as permitted under the GEM Listing Rules and pursuant to the Placing, it/he shall not and shall procure that the relevant registered holders shall not:
 - (i) 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 Six-months Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and

UNDERWRITING

- (ii) in the period of six months commencing on the date immediately following the date on which the First Six-Months Period expires (the “**Second Six-months Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of any of the Shares as referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company,

provided that the restrictions in sub-paragraph (i) above shall not apply to any Shares which our Controlling Shareholders or any of its/his respective associates may acquire or become interested in following the Listing Date;

- (b) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares referred to in sub-paragraph (a)(i) above 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 sub-paragraph (a) above, it/he must inform our Company, the Sponsor, the Joint Lead Managers and the Underwriters immediately thereafter, disclosing the details as specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (c) having pledged or charged any of its/his interests in the Shares under sub-paragraph (b) above, it/he must inform our Company, the Sponsor, the Joint Lead Managers and the Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

Undertakings by our Company and our Controlling Shareholders pursuant to the GEM Listing Rules

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, 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 the First Six-Months Period (whether or not such issue of Shares or securities will be completed within the First Six-Months Period), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules which include the issue of Shares pursuant to the Share Option Scheme.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that save as provided in Rule 13.18 of the GEM Listing Rules, it/he shall not and shall procure that the relevant registered holder(s), its/his associates, companies controlled by it/him or its/his nominees or trustees holding the Shares in trust for it/him (as the case may be) shall not:

- (a) at any time during the First Six-months 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 the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) at any time during the Second Six-months 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 the Shares as referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that it/he shall and shall procure that the registered holder(s), its/his associates or companies controlled by it/him or its/his nominees or trustees holding the Shares in trust for it/him (as the case may be) shall:

- (a) in the event that it/he pledges or charges any direct or indirect interest in the Shares 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 Rule 13.16A of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charges any interest in the Shares under sub-paragraph (a) above, inform our Company immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

UNDERWRITING

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company, our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

Commission and expenses

The Underwriters will receive an underwriting commission at the rate of 3.5% of the aggregate Placing Price payable for the Placing Shares, out of which they will pay sub-underwriting commission (if any). The Sponsor will receive sponsorship, financial advisory and documentation fees in relation to the Listing and will be reimbursed for their expenses. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Placing Shares together with any applicable fees relating to the Placing.

UNDERWRITER'S INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, none of the Underwriters have any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share(s).

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price is HK\$0.35 per Placing Share. Prospective investors, when investing for the Placing Shares, shall pay the Placing Price (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

The net proceeds from the Placing of Placing Shares are estimated to be approximately HK\$49.56 million, after deduction of the underwriting commission and other expenses relating to the Placing and the Listing payable by our Company.

An announcement of the level of indication of interests in the Placing and the basis of allocations of the Placing Shares is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.taikamholdings.com at or before 9:00 a.m. on Thursday, 27 October 2016.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

- the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and such grant and permission not subsequently being revoked prior to the Listing Date;
- the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date).

In each case, on or before the dates and times specified in the Underwriting Agreement (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30 days after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived on or before the day which is the 30th day after the date of this prospectus, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.taikamholdings.com on the next Business Day after such lapse.

THE PLACING

Our Company is initially offering 200,000,000 Shares for subscription by way of Placing (without taking into account the Shares that may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme), representing in aggregate 25% of the enlarged issued share capital of our Company upon completion of the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

The Placing is fully underwritten by the Underwriters pursuant to the Underwriting Agreement.

Pursuant to the Placing, it is expected that the Joint Lead Managers and the Underwriters, on behalf of our Company, will conditionally place the 200,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

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 investors are likely to purchase further Shares and/or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any person.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

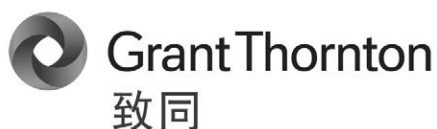
Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission 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 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 to enable the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the GEM are expected to commence at 9:00 a.m. on Friday, 28 October 2016. The Shares will be traded in board lots of 10,000 Shares each and are freely transferable.

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.



20 October 2016

The Directors
Tai Kam Holdings Limited

Dakin Capital Limited

Dear Sirs,

We report on the financial information of Tai Kam Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 30 April 2015 and 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 30 April 2015 and 2016 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), prepared on the basis of presentation set out in Note 1.3 of Section II below, for inclusion in Appendix I to the prospectus of the Company dated 20 October 2016 (the "Prospectus") in connection with the initial listing of 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 with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. 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 2016, the Company became the holding company of the companies now comprising the Group.

As 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 as 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 (the “Underlying Financial Statements”) 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 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

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give 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 the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to form 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, for the purpose of this report and on the basis of presentation set out in Note 1.3 of Section II below, the Financial Information gives a true and fair view of the financial positions of the Group as at 30 April 2015 and 2016 and of the Company as at 30 April 2016, and of the financial performance and cash flows of the Group for the Track Record Period.

I FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 30 April	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	77,683	97,194
Direct costs		<u>(64,075)</u>	<u>(77,561)</u>
Gross profit		13,608	19,633
Other income	6	249	53
Administrative expenses		<u>(1,280)</u>	<u>(3,842)</u>
Profit before income tax	7	12,577	15,844
Income tax expense	8	<u>(2,029)</u>	<u>(2,942)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>10,548</u>	<u>12,902</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>N/A</u>	<u>N/A</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30 April	
	<i>Notes</i>	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	<u>2,543</u>	<u>2,862</u>
Current assets			
Trade and other receivables	13	12,070	23,301
Amounts due from customers for contract work	14	2,653	3,013
Cash and bank balances	15	<u>21,527</u>	<u>16,918</u>
		<u>36,250</u>	<u>43,232</u>
Current liabilities			
Trade and other payables	17	8,074	8,415
Amount due to a director	16	8,597	—
Amounts due to customers for contract work	14	199	3,086
Tax payable		<u>1,762</u>	<u>4,986</u>
		<u>18,632</u>	<u>16,487</u>
Net current assets		<u>17,618</u>	<u>26,745</u>
Total assets less current liabilities		<u>20,161</u>	<u>29,607</u>
Non-current liabilities			
Deferred tax liabilities	18	<u>284</u>	<u>323</u>
Net assets		<u>19,877</u>	<u>29,284</u>
EQUITY			
Share capital	19	—	—
Capital reserve	20	4,000	10,100
Retained earnings		<u>15,877</u>	<u>19,184</u>
Total equity attributable to equity holders of the Company		<u>19,877</u>	<u>29,284</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 30 April 2016 HK\$'000
ASSETS AND LIABILITIES		
Current asset		
Amount due from the ultimate holding company		—*
Net assets		<u>—*</u>
EQUITY		
Share capital	19	—*
Accumulated losses		—
Total equity		<u>—*</u>

* Amount due from the ultimate holding company represents share capital of HK\$0.01. As there was no profits or losses incurred from the date of incorporation to 30 April 2016, the total equity equals to share capital of HK\$0.01.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(Note 19)</i>	Capital reserve <i>HK\$'000</i> <i>(Note 20)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 May 2014	—	4,000	5,329	9,329
Profit and total comprehensive income for the year	—	—	10,548	10,548
Balance as at 30 April 2015 and 1 May 2015	—	4,000	15,877	19,877
Profit and total comprehensive income for the year	—	—	12,902	12,902
Dividend paid (<i>Note 9</i>)	—	—	(9,595)	(9,595)
Capital injection into a subsidiary (<i>Notes 20 and 21</i>)	—	6,100	—	6,100
Balance as at 30 April 2016	<u>—</u>	<u>10,100</u>	<u>19,184</u>	<u>29,284</u>

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 30 April	
		2015 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Profit before income tax		12,577	15,844
Adjustments for:			
Depreciation		708	831
Gain on disposal of property, plant and equipment		—	(52)
Interest income		(1)	(1)
Operating profit before working capital changes		13,284	16,622
Changes in working capital:			
Increase in trade and other receivables		(1,841)	(11,231)
Decrease/(Increase) in amounts due from customers for contract work		742	(360)
Increase in trade and other payables		1,133	341
Decrease in amount due to a director		(10,080)	(4,022)
Increase in amounts due to customers for contract work		179	2,887
Cash generated from operations		3,417	4,237
Tax (paid)/refund		(289)	321
<i>Net cash generated from operating activities</i>		<u>3,128</u>	<u>4,558</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,444)	(1,150)
Proceeds from disposal of property, plant and equipment		—	52
Interest received		1	1
<i>Net cash used in investing activities</i>		<u>(1,443)</u>	<u>(1,097)</u>
Cash flows from financing activities			
Capital injection into a subsidiary	20, 21	—	1,525
Dividend paid	9	—	(9,595)
<i>Net cash used in financing activities</i>		<u>—</u>	<u>(8,070)</u>
Net increase/(decrease) in cash and cash equivalents		1,685	(4,609)
Cash and cash equivalents at beginning of year		<u>19,842</u>	<u>21,527</u>
Cash and cash equivalents at end of year	15	<u><u>21,527</u></u>	<u><u>16,918</u></u>

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 1 April 2016. The addresses of the Company's registered office and principal place of business 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 in Hong Kong as main contractor.

The Company's immediate and ultimate holding company is Classy Gear Limited, a company incorporated in the British Virgin Islands ("BVI") and beneficially owned by Mr. LAU King Shun and Mr. LAU Kan Sui Sunny (collectively referred as the "Controlling Shareholders").

1.2 Reorganisation

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 2016, the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Name of company	Place and date of incorporation	Issued and paid up capital	Equity interest held	Principal activities	Note
Sunsky Global Limited ("Sunsky Global")	BVI, 1 January 2016	USD200	100% (Direct)	Investment holding	(a)
Solar Red Investments Limited ("Solar Red")	BVI, 1 January 2016	USD1	100% (Indirect)	Intellectual properties holding and provision of administrative service to its group companies	(a)
Ease Geotechnical Engineering Company Limited ("Ease Geotechnical")	Hong Kong, 15 March 2002	HK\$10,100,000	100% (Indirect)	Investment holding and undertaking slope works	(b)

Name of company	Place and date of incorporation	Issued and paid up capital	Equity interest held	Principal activities	Note
Tai Kam Construction Engineering Company Limited ("Tai Kam Construction")	Hong Kong, 19 March 1996	HK\$10,100,000	100% (Indirect)	Undertaking slope works	(c)

Notes:

- (a) No audited financial statements have been prepared as these companies are newly incorporated and they are not required to issue any audited financial statements under the statutory requirement in their place of incorporation.
- (b) The statutory financial statements for the years ended 30 June 2014 and 2015 were audited by K.H. Cheng & Company, Certified Public Accountants, Hong Kong and Lai Yiu Hong, Certified Public Accountant (Practising), Hong Kong respectively. They were qualified for failure to prepare consolidated financial statements as required by applicable Hong Kong Accounting Standard ("HKAS") 27 "Consolidated and Separate Financial Statements" and Hong Kong Financial Reporting Standard ("HKFRS") 10 "Consolidated Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Such qualifications have been removed in this report because, for the purpose of this report, the financial information of Ease Geotechnical's subsidiary, Tai Kam Construction, has been consolidated in the Financial Information. The statutory financial statements for the year ended 30 June 2016 have not yet been audited.
- (c) The statutory financial statements for the year ended 30 April 2015 were audited by Lai Yiu Hong, Certified Public Accountant (Practising), Hong Kong. The statutory financial statements for the year ended 30 April 2016 have not yet been audited.

Except for Ease Geotechnical which has adopted 30 June as its financial year-end date since incorporation, all companies comprising the Group have adopted 30 April as their financial year-end date.

1.3 Basis of presentation

Pursuant to the Reorganisation as more fully explained in the paragraphs headed "Reorganisation" in the section headed "History and Development" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 17 June 2016. The group entities were under the control of the Controlling Shareholders throughout the Track Record Period. 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 is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of comprehensive income, the combined statements of changes in equity and the 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 using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA 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 as at 30 April 2015 and 2016 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 as at those respective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”). The significant accounting policies that have been used in the preparation of this Financial Information are summarised below.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars (“HK\$” or “HKD”), and all values are rounded to the nearest thousand (“HK\$’000”), except where otherwise indicated.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3 below.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 May 2015 are consistently applied to the Group for the Track Record Period.

The following new and amended HKFRSs have been issued but are not yet effective for the financial year beginning 1 May 2015, and have not been adopted early by the Group:

Annual Improvement Project	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective date to be determined

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. In particular, for those new and amended HKFRSs which have been effective for annual periods beginning on or after 1 January 2016, the Group will apply these standards for the financial year beginning 1 May 2016. Information on certain new HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other amended HKFRSs are not expected to have a material impact on the Group's financial position and results of operations.

Amendments to HKAS 1 Disclosure Initiative

The amendments made to a number of aspects include materiality, line items in primary financial statements, notes to financial statements, accounting policies, and share of other comprehensive income from equity accounted investments. It provides additional guidance for disclosures in the financial statements. The management of the Group considers that the application of amendments to HKAS 1 in the future may not have a significant impact on the Group's results and financial position.

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

An entity applies its judgement when determining the exact form and content of the disclosures needed. The amendments suggest a number of specific disclosures in order to satisfy the above requirement, including:

- changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses.
- a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

The amendments to HKAS 7 are effective for annual periods beginning on or after 1 January 2017.

The management of the Group considers that the application of Amendments to HKAS 7 in the future may not have a significant impact on the Group's results and financial position.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2017.

As the Group does not have any debt instrument measured at fair value, the management of the Group considers that the application of Amendments to HKAS 12 will not have significant impacts on the Group's results and financial position.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that a revenue-based depreciation method is not appropriate for items of property, plant and equipment, and there is a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. As the Group does not apply revenue-based depreciation method and does not have intangible asset, the management of the Group considers that the application of amendments to HKAS 16 and HKAS 38 in the future may not have a significant impact on the Group's results and financial position.

HKFRS 9 (2014) — Financial Instruments

The release of HKFRS 9 represents the completion of the project to replace HKAS 39. The new standard introduces extensive changes to HKAS 39's guidance to the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. Under the new "expected credit loss" impairment model under HKFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. HKFRS 9 also provides new guidance on the application of hedge accounting. HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

In the light of the above, the management of the Group are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to conduct an assessment at present on the credit risk in respect of the Group's future financial assets after the adoption of HKFRS 9. Nevertheless, based on the Group's financial assets as at 30 April 2015 and 2016 (the credit risks of which are considered to be low as they mainly comprised trade and retention receivables from the Government as well as cash at banks) and assuming there will be no material adverse change in the credit risks in respect of the Group's future financial assets after the adoption of HKFRS 9, the management of the Group considers that the adoption of the new "expected credit loss" impairment model under HKFRS 9 will not have significant impacts on the Group's results and financial position. It is also anticipated that the adoption of the other new requirements under HKFRS 9 in the future may not have significant impacts on the Group's results and financial position.

HKFRS 15 - Revenue from Contracts with Customers

HKFRS 15 establishes a single and comprehensive framework for determining when to recognise and how much revenue to recognise through a 5-step approach.

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

The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. It supersedes HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and revenue-related interpretations.

HKFRS 15 establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The Group is in the process of making an assessment of the impact of HKFRS 15 but is not yet in a position to provide quantified information.

HKFRS 16 — Leases

HKFRS 16 Leases applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 and impaired, if any, following the requirements of HKAS 36. The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces the previous leases HKAS 17 Leases, and related Interpretations. HKFRS 16 is effective from 1 January 2019. An entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 Revenue from Contracts with Customers.

The operating lease commitments of the Group in respect of leased premises as at 30 April 2015 and 2016 are set out in note 22. The management of the Group expects that certain lease commitments will be required to be recognised in the Financial Information as right-of-use assets and lease liabilities. The application of HKFRS 16 will have no significant impact on the Group's Financial Information.

2.2 Basis of consolidation and combination

The Financial Information incorporates the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the 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 and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Foreign currency translation

The Financial Information is presented in HKD, which is also the functional currency of the Company and its major subsidiaries.

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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:

Leasehold improvement	Over the term of lease or 20%, whichever is shorter
Furniture and fixtures	20%
Machinery and equipment	20%
Motor vehicles	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 there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 and retention receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and retention 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 and retention receivables is remote, the amount considered irrecoverable is written off against trade and retention 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 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 favourable 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, 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 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 statements 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" (as an asset) or "Amounts due to customers for contract work" (as a liability). Progress billings not yet paid by customers are included in the combined statements of financial position under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

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.

2.9 Financial liabilities

The Group's financial liabilities include trade and other payables and amount due to a director.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are expensed when incurred. 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.

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 profit or loss 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.

2.11 Provisions and contingent liabilities

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.

2.12 Share capital

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

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

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) **Contract revenue**

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

In practice, the Group makes application to the customer for progress payment normally on a monthly basis or upon the completion of the project. After examination by the customer or its agent, a payment certificate will be issued to the Group certifying the portion of works completed during the period for which progress payment is applied, which normally takes around one to three weeks from the date of application, and therefore the stage of completion for the period is established by reference to the payment certificate issued to the Group.

However, progress certifications might not necessarily take place as at the financial year-end. In case where progress certifications do not take place as at the financial year-end or where the last progress certificate for a works contract during a financial year does not cover a period up to the financial year-end, the revenue for the period from the last progress certification up to the financial year-end is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records (including site diaries) as well as the rates for the relevant works items as agreed between the customer and the Group.

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

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

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Short-term employee benefits

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

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

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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 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.

2.16 Segment reporting

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

2.17 Related parties

For the purposes of the 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;
 - (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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Sources of estimation uncertainty

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:

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 other direct costs to be incurred with reference to their past experience. 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 exercised their judgements in the estimation of the total outcome of the construction contracts with reference to the latest available information such as progress certificates, and relevant site records and diaries, which includes detailed contract sum and works performed. 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 amounts due from/(to) customers for contract work are disclosed in Note 14.

3.2 Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the accounting judgements below:

Depreciation of property, plant and equipment

Property, plant and equipment (Note 12) are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation charge to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation charge for future periods is adjusted if there are significant changes from previous estimates.

Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables (Note 13) are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group based on the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience to assess the financial conditions of the debtors. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

4. REVENUE

Revenue represents receipts from the provision of undertaking slope works in Hong Kong as main contractor.

Revenue recognised for the Track Record Period is as follows:

	Year ended 30 April	
	2015	2016
	HK\$'000	HK\$'000
Contract revenue	<u>77,683</u>	<u>97,194</u>

5. SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM regards the Group's business of undertaking slope works in Hong Kong as main contractor 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.

(a) Geographical information

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.

(b) Major customers

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

	Year ended 30 April	
	2015	2016
	HK\$'000	HK\$'000
Customer A	62,766	79,644
Customer B	10,292	13,134

6. OTHER INCOME

	Year ended 30 April	
	2015	2016
	HK\$'000	HK\$'000
Bank interest income	1	1
Gain on disposal of property, plant and equipment	—	52
Insurance compensations	248	—
	<u>249</u>	<u>53</u>

7. PROFIT BEFORE INCOME TAX

	Year ended 30 April	
	2015	2016
	HK\$'000	HK\$'000
Profit before tax is stated after charging:		
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	12,271	18,131
Contributions to defined contribution retirement plans	462	604
	<u>12,733</u>	<u>18,735</u>
(b) Other items		
Auditors' remuneration	72	90
Depreciation	708	831
Operating lease charges in respect of:		
— Premises	327	711
— Machinery (included in direct costs)	48	67
Subcontracting charges (included in direct costs)	39,850	45,230
Listing expenses	—	1,945

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the respective years during the Track Record Period.

	Year ended 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current Hong Kong Profits Tax	1,945	2,903
Deferred tax (Note 18)	84	39
	<u>2,029</u>	<u>2,942</u>

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>12,577</u>	<u>15,844</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,075	2,614
Tax effect of non-deductible expenses	—	321
Unrecognised temporary differences	—	7
Statutory tax concession	(20)	—
Others	(26)	—
Income tax expense	<u>2,029</u>	<u>2,942</u>

9. DIVIDENDS

	Year ended 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends	<u>—</u>	<u>9,595</u>

For the year ended 30 April 2016, interim dividends of HK\$9,595,000 were appropriated to the then shareholders of Ease Geotechnical. No dividends were declared or paid by the Group during the year ended 30 April 2015.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this Financial Information is not considered 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 1.3 of Section II above.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS**(a) Directors' emoluments**

The directors' emoluments for the Track Record Period are set out below:

	Salaries, allowances and benefits	Discretionary	Retirement scheme	Total
	Fee	bonuses	contributions	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 30 April 2015				
Executive directors:				
Mr. LAU King Shun	—	400	150	18
Mr. LAU Kan Sui Sanny	—	368	100	18
Mr. LAU Mei Chai	—	368	100	18
	—	1,136	350	54
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>
	<u>—</u>	<u>1,136</u>	<u>350</u>	<u>54</u>

	Salaries, allowances and benefits	Discretionary	Retirement scheme	Total
	Fee	bonuses	contributions	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 30 April 2016				
Executive directors:				
Mr. LAU King Shun	—	480	—	18
Mr. LAU Kan Sui Sanny	—	384	—	18
Mr. LAU Mei Chai	—	384	—	18
	—	1,248	—	54
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>
	<u>—</u>	<u>1,248</u>	<u>—</u>	<u>54</u>

Mr. LAU King Shun, Mr. LAU Kan Sui Sanny and Mr. LAU Mei Chai were appointed as directors of the Company on 1 April 2016 and re-designated as executive Directors on 26 September

2016. The independent non-executive directors, Mr. YIM Kin Ping, Ms. WONG Yuk King and Mr. HO Cheuk Wai were appointed as directors of the Company on 25 September 2016 respectively. During the Track Record Period, the independent non-executive directors have not yet been appointed and have not received any directors' remuneration in the capacity of independent non-executive directors.

The emoluments above presented remuneration received by the directors in the capacity of employees and/or directors of the companies comprising the Group.

(b) **Five highest paid individuals**

The five highest paid individuals of the Group include three directors for the year ended 30 April 2015 and one director for the year ended 30 April 2016 whose emoluments are disclosed above. Details of the emoluments of the remaining two highest paid individuals for the year ended 30 April 2015 and remaining four highest paid individuals for the year ended 30 April 2016 are as follows:

	Year ended 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and allowances	948	1,951
Retirement scheme contributions	36	70
	<u>984</u>	<u>2,021</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 30 April	
	2015	2016
Nil - HK\$1,000,000	<u>2</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors or the five 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. No directors or the five highest paid individuals has waived or agreed to waive any emoluments during the Track Record Period.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2014					
Cost	—	—	923	2,601	3,524
Accumulated depreciation	—	—	(527)	(1,190)	(1,717)
Net book amount	<u>—</u>	<u>—</u>	<u>396</u>	<u>1,411</u>	<u>1,807</u>
Year ended 30 April 2015					
Opening net book amount	—	—	396	1,411	1,807
Additions	—	—	793	651	1,444
Depreciation	—	—	(239)	(469)	(708)
Closing net book amount	<u>—</u>	<u>—</u>	<u>950</u>	<u>1,593</u>	<u>2,543</u>
At 30 April 2015 and 1 May 2015					
Cost	—	—	1,716	3,252	4,968
Accumulated depreciation	—	—	(766)	(1,659)	(2,425)
Net book amount	<u>—</u>	<u>—</u>	<u>950</u>	<u>1,593</u>	<u>2,543</u>
Year ended 30 April 2016					
Opening net book amount	—	—	950	1,593	2,543
Additions	87	415	37	611	1,150
Depreciation	(6)	(23)	(255)	(547)	(831)
Closing net book amount	<u>81</u>	<u>392</u>	<u>732</u>	<u>1,657</u>	<u>2,862</u>
At 30 April 2016					
Cost	87	415	1,753	3,498	5,753
Accumulated depreciation	(6)	(23)	(1,021)	(1,841)	(2,891)
Net book amount	<u>81</u>	<u>392</u>	<u>732</u>	<u>1,657</u>	<u>2,862</u>

13. TRADE AND OTHER RECEIVABLES

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,645	9,338
Retention receivables (note (i))	2,842	4,103
Other receivables, deposits and prepayments (note (ii))	1,583	9,860
	<u>12,070</u>	<u>23,301</u>

Notes:

- (i) Retention receivables are interest-free and repayable approximately one year after the expiry of the defect liability period of construction projects.
- (ii) Other receivables and deposits do not contain impaired assets nor items past due date.

(a) Ageing analysis

The ageing analysis of the trade receivables based on the invoice dates is as follows:

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	7,645	7,146
31 - 60 days	—	2,152
61 - 90 days	—	—
Over 90 days	—	40
	<u>7,645</u>	<u>9,338</u>

The Group usually grants credit period ranging from 21 to 60 days to customers.

(b) Impairment of trade receivables

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 as at 30 April 2015 and 2016.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on individual or collective basis.

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are not impaired is as follows:

	As at 30 April	
	2015	2016
	HK\$'000	HK\$'000
Neither past due nor impaired	7,645	7,146
1 - 30 days past due	—	2,152
31 - 60 days past due	—	—
Over 60 days past due	—	40
	<u>—</u>	<u>2,192</u>
	<u>7,645</u>	<u>9,338</u>

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past credit history, management 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.

14. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 30 April	
	2015	2016
	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses	91,655	113,812
Less: Progress billings	<u>(89,201)</u>	<u>(113,885)</u>
	<u>2,454</u>	<u>(73)</u>
Recognised and included in the combined statements of financial position as:		
- Amounts due from customers for contract work	2,653	3,013
- Amounts due to customers for contract work	<u>(199)</u>	<u>(3,086)</u>
	<u>2,454</u>	<u>(73)</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year.

15. CASH AND BANK BALANCES

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks	<u>21,527</u>	<u>16,918</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

16. AMOUNT DUE TO A DIRECTOR

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. LAU King Shun	<u>8,597</u>	<u>—</u>

The amount is unsecured, non-interest bearing and repayable on demand.

17. TRADE AND OTHER PAYABLES

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,754	5,493
Retention payables	1,425	1,016
Accruals and other payables	<u>1,895</u>	<u>1,906</u>
	<u>8,074</u>	<u>8,415</u>

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

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	4,744	5,484
31 - 60 days	<u>10</u>	<u>9</u>
	<u>4,754</u>	<u>5,493</u>

The Group is granted by its suppliers a credit period ranging from 0 to 30 days.

Retention payables are interest-free and settled in accordance with the terms of the respective contracts.

18. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong.

The movements in deferred tax liabilities and recognised in the combined statements of the financial position during the Track Record Period are as follows:

	Accelerated tax depreciation HK\$'000
As at 1 May 2014	200
Charged to profit or loss (Note 8)	<u>84</u>
As at 30 April and 1 May 2015	284
Charged to profit or loss (Note 8)	<u>39</u>
As at 30 April 2016	<u><u>323</u></u>

As at 30 April 2015 and 2016, the Group did not have any material unrecognised deferred taxation.

19. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
10,000,000 ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100</u>
Issued and fully paid:		
1 ordinary share of HK\$0.01, upon incorporation and as at 30 April 2016	<u>1</u>	<u>—</u>

The Company was incorporated on 1 April 2016 with authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. On the date of incorporation, 1 nil-paid share was allotted and issued.

On 17 June 2016, 9,999 shares were allotted and issued at par.

On 26 September 2016, pursuant to the written resolutions of the sole shareholder, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by creation of additional of 1,990,000,000 shares of HK\$0.01 each, each ranking *pari passu* in all respects.

There was no authorised and issued capital as at 30 April 2015 since the Company has not yet been incorporated.

20. CAPITAL RESERVE

Capital reserve of the Group as at 30 April 2015 and 2016 represents the share capital of Ease Geotechnical.

During the year ended 30 April 2016, the share capital of Ease Geotechnical was increased by HK\$6,100,000 by allotment of 6,100,000 ordinary shares which ranked *pari passu* in all respects with the existing ordinary shares of Ease Geotechnical.

21. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 April 2016, among the capital injection of HK\$6,100,000 to Ease Geotechnical, HK\$4,575,000 was injected by capitalising HK\$4,575,000 of amount due to a director.

22. OPERATING LEASE COMMITMENTS

At 30 April 2015 and 2016, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of premises are as follows:

	As at 30 April	
	2015	2016
	HK\$'000	HK\$'000
Within one year	88	434
In the second to fifth years	—	254
	<u>88</u>	<u>688</u>

The leases typically run for an initial period of one to two years. The lease does not include contingent rentals.

23. CAPITAL COMMITMENTS

At 30 April 2015 and 2016, capital commitments of the Group are as follows:

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
- Property, plant and equipment	—	320

24. RELATED PARTY TRANSACTIONS

- (a) During the Trace Record Period, the following parties are identified as related parties of the Group:

Name	Relationship with the Group
Mr. LAU King Shun	One of the Controlling Shareholders and an executive director of the Company
Mr. LAU Kan Sui Sanny	One of the Controlling Shareholders and an executive director of the Company
Mr. LAU Mei Chai	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	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, fee and allowances	1,584	2,056
Discretionary bonuses	350	—
Retirement scheme contributions	71	87
	<u>2,005</u>	<u>2,143</u>

(c) Balance with related party

The detail of the balance with a director is disclosed in Note 16 to the Financial Information.

(d) Material related party transactions

- (i) Save as disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions during the Track Record Period:

Name of related party	Nature	Year ended 30 April	
		2015	2016
		HK\$'000	HK\$'000
Mr. LAU Kan Sui Sanny and Mr. LAU Mei Chai	Rental expenses	<u>96</u>	<u>88</u>

- (ii) As at 30 April 2015, the Group obtained an overdraft facility of HK\$2,000,000, which was secured by the unlimited personal guarantee and the charge over securities of Mr. LAU King Shun. As at 30 April 2015, the Group did not utilise this facility. Such facility was released on 30 September 2015.
- (iii) During the year ended 30 April 2016, the Group had an overdraft facility of HK\$4,000,000, which was secured by the personal guarantee of HK\$4,000,000 and the charges over deposit and securities of Mr. LAU King Shun. The Group did not utilise this facility, which was released on 22 April 2016.

25. CONTINGENT LIABILITIES

As at 30 April 2015 and 2016, 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 claim 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.

26. 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.

26.1 Categories of financial assets and liabilities

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

	As at 30 April	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables:		
- Trade and other receivables	10,962	14,432
- Cash and bank balances	<u>21,527</u>	<u>16,918</u>
	<u>32,489</u>	<u>31,350</u>
Financial liabilities		
At amortised costs:		
- Trade and other payables	8,074	8,415
- Amount due to a director	<u>8,597</u>	<u>—</u>
	<u>16,671</u>	<u>8,415</u>

26.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

26.3 Credit risk

Credit risk arises mainly from trade and other receivables and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

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 2015 and 2016, trade and retention receivables from an individual customer accounted for 65% and 61% of the total trade and retention receivables respectively.

26.4 Liquidity risk

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

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

As at 30 April 2015 and 2016, the Group's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

26.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at 30 April 2015 and 2016 due to their short maturities.

27. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support its business and maximise shareholders' value.

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 debt to equity ratio. For this purpose, debt is defined as borrowings net of cash and bank balance. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

As at 30 April 2015 and 2016, the debt to equity ratio was not presented as the Group had no borrowings.

III. SUBSEQUENT EVENTS

The following significant event took place subsequent to 30 April 2016:

(a) Group reorganisation

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 2016, the Company became the holding company of the Group.

IV. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to 30 April 2016. No dividend has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2016.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 2016 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 COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 31 of Chapter 7 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 at 30 April 2016, as if the Placing had taken place on 30 April 2016.

The unaudited pro forma statement of adjusted combined 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 combined net tangible assets of the Group attributable to equity holders of the Company had the Placing been completed as at 30 April 2016 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 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 April 2016	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Placing Price of HK\$0.35 per Share	<u>29,284</u>	<u>51,501</u>	<u>80,785</u>
			<u>0.10</u>

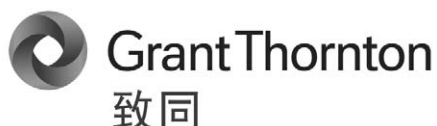
APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The amount is calculated based on audited combined net assets of the Group attributable to equity holders of the Company as at 30 April 2016 amounting to approximately HK\$29,284,000, 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 200,000,000 Shares at the Placing Price of HK\$0.35 per Share, after deduction of the relevant estimated underwriting commissions and fees and other related fees expected to be incurred by the Group subsequent to 30 April 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is determined on the basis that 800,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Placing Shares and the Capitalisation Issue had been issued on 30 April 2016).
- (4) The unaudited pro forma combined financial information presented above does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 April 2016).

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF 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.



20 October 2016

TO THE DIRECTORS OF TAI KAM HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tai Kam Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 April 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 20 October 2016 (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 proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing on the Group’s financial position as at 30 April 2016 as if the event had taken place at 30 April 2016. 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 2016, 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 are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on Growth Enterprise Market of 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”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Performs Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 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 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 2016 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- 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 paragraph 7.31(1) of the GEM Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate No.: P05707

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 1 April 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

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 in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 26 September 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman 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 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, 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 authorised 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.

(iii) *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 to such shares 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; (e) cancel any shares which, at the date 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 authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), 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 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. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

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 on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, 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 is provided 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, 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 on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) ***Power of the Company to purchase its own shares***

The Company may 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 or any, 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.

(vi) ***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.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks 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 of such shares 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 payment 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, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member 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 shall 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 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 appointed time, 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.

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.

(b) **Directors**

(i) *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 so appointed 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 so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. 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 shall 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 to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (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 has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

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 or retirement from the Board.

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 the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

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 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(s) or 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.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman 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 to it 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 of the share, it is 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 in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman 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 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.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

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 Cayman 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.

(iv) *Borrowing powers*

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 Cayman 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.

(v) *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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all 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 as the Board may determine, 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 and such other benefits 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 subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits 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.

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.

(vi) *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.

(vii) *Loans and provision of security for loans to Directors*

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(s) (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.

(viii) Disclosure of interest in contracts with the Company or 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which 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 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, 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 established by it. 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 in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, 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:

- (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, 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;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) 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) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their 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) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

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 and the Company's name**

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, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

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 Cayman 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 a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in 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 notice has been duly given.

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.

(ii) *Voting rights 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: (a) 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 this purpose as paid up on the share; and (b) 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. 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 (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (aa) at least two members;
- (bb) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (cc) a member or members holding shares in the Company conferring a right to vote at the meeting 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

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 or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *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.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company 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 personally, by post to such member's registered address 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 shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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:

- (aa) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (bb) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) ***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.

(vi) ***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 authorised representative) or by proxy.

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 a duly authorised officer or attorney. 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 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.

(e) **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 of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) 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, book or document of the Company except as conferred by the Cayman 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 summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

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.

(f) 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 of which 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;

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) 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, the Board may resolve:

- (i) 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 to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) 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. 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 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 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 used 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.

(g) Inspection of corporate records

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 members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) 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 summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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 is wound up and the assets available for distribution among the members of the Company are 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* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are 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.

If 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 Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided 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 thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 1 April 2016 subject to the Cayman 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 Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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 authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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 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;
- (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 Cayman 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, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(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 act 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 authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner

and terms of such purchase. A 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.

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 held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman 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, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

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, in respect of a treasury share.

(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 to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution 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 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 on such affairs. In addition, 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 on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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 a company keeps its books of account at any place other than at its registered office or 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 that:

- (i) 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) 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 20 years from 19 April 2016.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is 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.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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. There is 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) Register of Directors and officers

Pursuant to the Cayman 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up 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 (other than a limited duration company, for which specific rules apply) occurs where the company 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. In the case of a voluntary winding up, the 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.

In the case of a members' voluntary winding up of a company, one or more liquidators are 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 disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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 takes 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, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the 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 has 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, 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.

(r) 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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts 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.

(s) 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 Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. 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 1 April 2016. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 24 May 2016, and establishes a principal place of business in Hong Kong at Room 1503, 15/F, Win Century Centre, 2A Mong Kok Road, Mong Kok, Kowloon, Hong Kong. Mr. KS Lau of Room 1503, 15/F Win Century Centre, 2A Mong Kok Road, Mong Kok, Kowloon, 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, its operations are subject to the relevant laws and regulations of the Cayman Islands 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 paragraph headed “Summary of the Constitution of our 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\$100,000.00 divided into 10,000,000 Shares with par value of HK\$0.01 each. One Share was allotted and issued nil-paid to the subscriber on 1 April 2016, and was subsequently transferred to Classy Gear 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 Sunsky Global from Mr. KS Lau and Mr. Sunny Lau on 17 June 2016, (i) one nil-paid Share held by Classy Gear was credited as fully paid, and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to Classy Gear (as directed by Mr. KS Lau and Mr. Sunny Lau).
- (c) On 26 September 2016, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of additional 1,990,000,000 new Shares under a resolution in writing passed by the then sole Shareholder referred to in the paragraph headed “3. Written Resolutions of the sole Shareholder passed on 26 September 2016” below.
- (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, 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of the sole Shareholder passed on 26 September 2016” 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 the sole Shareholder passed on 26 September 2016

On 26 September 2016, resolutions in writing were passed by the sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of additional 1,990,000,000 new Shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) 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 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 (the above conditions collectively, the “**Conditions**”):
 - (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 “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 on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Placing Shares pursuant to the Placing, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of approximately HK\$5,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members or the principal share register of our Company at the close of business on 26 September 2016 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) 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 allotment;
- (d) conditional on the Conditions, 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 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 number of Shares not exceeding 20% of the total number of Shares 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, provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be issued as a percentage of the total number of issued Shares immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly, 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 Articles or other applicable laws to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting;
- (e) conditional on the Conditions, 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 total number of Shares 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, provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be purchased as a percentage of the total number of issued Shares immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly, 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 Articles or other applicable laws to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares 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 total number to be subject to adjustment in the case of any consolidation or subdivision of any or all of our Shares into a smaller or larger number of Shares after the passing of the resolution).

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 steps:

- (a) On 1 April 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$100,000.00 divided into 10,000,000 ordinary Shares with par value of HK\$0.01 each. One subscriber Share was allotted and issued in nil-paid form to the initial subscriber, and which was subsequently transferred to Classy Gear on the same date.
- (b) On 7 April 2016,
 - (i) Mr. KS Lau and Ease Geotechnical entered into a capitalisation agreement, pursuant to which Mr. KS Lau agreed to capitalised part of his shareholder's loan previously granted to Ease Geotechnical in the total amount of HK\$4,575,000 and Ease Geotechnical agreed to issue and allot 4,575,000 new shares to Mr. KS Lau (the "**Capitalisation**");

- (ii) Mr. Sunny Lau and Ease Geotechnical entered into a subscription agreement, pursuant to which Mr. Sunny Lau agreed to subscribe for and Ease Geotechnical agreed to issue and allot 1,525,000 new shares of Ease Geotechnical in the consideration of HK\$1,525,000 to be settled by way of cash (the “**Subscription**”); and
 - (iii) After the Capitalisation and the Subscription, Mr. KS Lau held 7,575,000 shares (representing 75% of the issued shares of Ease Geotechnical at the relevant time) and Mr. Sunny Lau held 2,525,000 shares of Ease Geotechnical (representing 25% of the issued shares of Ease Geotechnical at the relevant time).
- (c) On 25 May 2016, Sunsky Global acquired 7,575,000 shares and 2,525,000 shares of Ease Geotechnical from Mr. KS Lau and Mr. Sunny Lau respectively (representing the entire interests of Ease Geotechnical at the relevant time), and in consideration, Sunsky Global issued and allotted 75 ordinary shares to Mr. KS Lau and 25 shares to Mr. Sunny Lau, all shares are credited as fully paid. After the aforesaid share transfer, Sunsky Global held 10,100,000 shares of Ease Geotechnical (representing all the issued shares of Ease Geotechnical at the relevant time).
- (d) On 17 June 2016, our Company acquired 150 ordinary shares and 50 ordinary shares of Sunsky Global, being all the issued shares of Sunsky Global, from Mr. KS Lau and Mr. Sunny Lau respectively, being all the issued shares of Sunsky Global, and in consideration, (i) the one nil-paid Share held by Classy Gear was credited as fully paid; and (ii) 9,999 Shares, credited as fully paid, were allotted and issued to Classy Gear as instructed by Mr. KS Lau and Mr. Sunny Lau.

Immediately after completion of the share transfer referred to in item (d) 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 section headed “History and development” of 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, the most important of which are summarised 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 the sole Shareholder on 26 September 2016, 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 will represent up to 10% of the aggregate number of Shares 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 Articles or any other applicable laws 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 of our Company, out of the share premium account of our Company 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 either or both of the profits of our Company or 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 800,000,000 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 80,000,000 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 our 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 loan capitalisation agreement dated 7 April 2016 entered into between Ease Geotechnical and Mr. KS Lau, pursuant to which Mr. KS Lau agreed to capitalise part of his shareholder's loan previously granted to Ease Geotechnical in the total amount of HK\$4,575,000 and Ease Geotechnical agreed to issue and allot 4,575,000 new shares to Mr. KS Lau;
- (b) a subscription agreement dated 7 April 2016 entered into between Ease Geotechnical and Mr. Sanny Lau, pursuant to which Mr. Sanny Lau agreed to subscribe for and Ease Geotechnical agreed to issue and allot 1,525,000 new shares of Ease Geotechnical in the consideration of HK\$1,525,000 to be settled by way of cash;
- (c) a sale and purchase agreement dated 25 May 2016 entered into among Mr. KS Lau, Mr. Sanny Lau and Sunsky Global, pursuant to which Sunsky Global agreed to acquire 7,575,000 shares and 2,525,000 shares of Ease Geotechnical from Mr. KS Lau and Mr. Sanny Lau, respectively, and in consideration, Sunsky Global issued and allotted 75 shares to Mr. KS Lau and 25 shares to Mr. Sanny Lau, all shares are credited as fully paid. After the aforesaid share transfer, Sunsky Global held 10,100,000 shares of Ease Geotechnical (representing all the issued shares of Ease Geotechnical at the relevant time);
- (d) an instrument of transfer and bought and sold notes both dated 25 May 2016 entered into between Sunsky Global and Mr. KS Lau for the transfer of 7,575,000 shares of Ease Geotechnical as referred to item (c) above;

- (e) an instrument of transfer and bought and sold notes both dated 25 May 2016 entered into between Sunsky Global and Mr. Sunny Lau for the transfer of 2,525,000 shares of Ease Geotechnical as referred to item (c) above;
- (f) a reorganisation agreement dated 17 June 2016 entered into between our Company, Mr. KS Lau and Mr. Sunny Lau, pursuant to which our Company agreed to acquire 200 shares of Sunsky Global from Mr. KS Lau and Mr. Sunny Lau, in consideration of, (i) one nil-paid Share held by Classy Gear was credited as fully paid; and (ii) 9,999 Shares, all credited as fully paid, were allotted and issued to Classy Gear;
- (g) an instrument of transfer dated 17 June 2016 entered into between our Company and Mr. KS Lau for the transfer of 150 shares of Sunsky Global as referred to item (f) above;
- (h) an instrument of transfer dated 17 June 2016 entered into between our Company and Mr. Sunny Lau for the transfer of 50 shares of Sunsky Global as referred to item (f) above;
- (i) a trademark assignment dated 30 March 2016 entered into between Tai Kam Construction as assignor and Solar Red as assignee, pursuant to which Tai Kam Construction agreed to transfer a trademark registered in Hong Kong (registration number 302449440) to Solar Red at the consideration of HK\$1;
- (j) the Deed of Non-Competition dated 26 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries);
- (k) the Deed of Indemnity dated 26 September 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries); and
- (l) the Underwriting Agreement entered into on 19 October 2016 among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus.

2. Intellectual property rights of our Group

(a) *Trademark*

As at the Latest Practicable Date, our Group had registered the following trademark which is material to our Group's business:

Trademark	Class	Place of Registration	Registration Number	Name of Registrant	Period of Validity
	37	Hong Kong	302449440	Solar Red	29 November 2012 to 28 November 2022

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name which is material to the business of our Group:

Domain name	Registrant	Registration date	Expiry date
taikamholdings.com	Solar Red	15 March 2016	15 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 into 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 the 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 and the shares of associated corporations*

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
Mr. KS Lau	Interests held jointly with other persons; Interest in a controlled corporation (Notes 1 and 2)	600,000,000	75%
Mr. Sanny Lau	Interests held jointly with other persons; Interest in a controlled corporation (Note 2)	600,000,000	75%

Notes:

- (1) Classy Gear has a total of 100 shares in issue and the issued share capital of Classy Gear is legally and beneficially owned as to 75% by Mr. KS Lau and 25% by Mr. Sanny Lau. Therefore, Mr. KS Lau is deemed or taken to be interested in the Shares held by Classy Gear under the SFO. Mr. KS Lau and Mr. Sanny Lau are the directors of Classy Gear.
- (2) Mr. KS Lau and Mr. Sanny Lau are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Placing (but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), Mr. KS Lau and Mr. Sanny Lau will together control 75% of the entire issued share capital of our Company.

(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 of 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held/interested	Percentage of shareholding
Classy Gear	Beneficial owner	600,000,000	75%
Ms. Lam Wai Yin	Interest of spouse (Note 1)	600,000,000	75%
Ms. Chung King Fung	Interest of spouse (Note 2)	600,000,000	75%

Notes:

- (1) Ms. Lam Wai Yin is the spouse of Mr. KS Lau and is deemed or taken to be interested in all the Shares in which Mr. KS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (2) Ms. Chung King Fung is the spouse of Mr. Sanny Lau and is deemed or taken to be interested in all the Shares in which Mr. Sanny Lau has, or is deemed to have, an interest for the purposes of the SFO.

2. Particulars of service agreements**(a) Executive Directors**

Each of our executive Directors has entered into a service agreement with our Company on 26 September 2016. The principal particulars of these service agreements are (a) commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other; and (b) subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has signed an appointment letter with our Company on 26 September 2016. The principal particulars of these appointment letters are (a) 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 (b) subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

Save as disclosed above, 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

- (a) 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 FY2014/15 and FY2015/16 were approximately HK\$1.54 million and HK\$1.30 million, 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 FY2016/17 will be approximately HK\$1.55 million.
- (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:

Executive Directors	HK\$
Mr. KS Lau	480,000
Mr. Sanny Lau	384,000
Mr. MC Lau	384,000
Independent non-executive Directors	
Mr. Yim Kin Ping	150,000
Ms. Wong Yuk King	150,000
Mr. Ho Cheuk Wai	150,000

Save as disclosed above, 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.

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 24 to the accountants’ report 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 nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (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 our Directors or the experts named in the paragraph headed “E. Other information — 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 our Directors or the experts named in the paragraph headed “E. Other information — 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 our Directors or the experts named in the paragraph headed “E. Other information — 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

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the written resolutions of our then sole Shareholder on 26 September 2016.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 26 September 2016, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the sole Shareholder;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its Subsidiaries and any Invested Entity;
“Grantee”	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
“Group”	means our Company and its Subsidiaries from time to time and “member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;

“Option Period”

means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

“Participant”

means any person belonging to any of the following classes of participants:

- (a) any Eligible Employee;
- (b) any non-executive director (including independent non-executive directors) of our Company, any of its Subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group,

for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and

“Scheme Period”

means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

Subject to Share Option Scheme and the GEM Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of the grant.

(c) Grant of option and acceptance of offer

No offer of grant of Options shall be made after inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the GEM Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarterly (if applicable) or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular

must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders' approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any trading day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. On the basis of 800,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to its Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any options if 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 schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(f) 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 to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of options.

(g) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised;
- (ii) the subscription price;
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Grantees. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) Rights on take-over

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option at any time in 14 days after the date on which such offer becomes or is declared unconditional.

(k) Rights on a compromise or arrangement

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, 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 we 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, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse of option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of 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 our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant Subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) Ranking of Shares

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company 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 before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where Options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of 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\$5.0 million,

then the proposed grant of Options must be approved by the Shareholders in a general meeting. At such general meeting, the Grantee, his associates and all core connected persons of our Company must

abstain from voting, unless they intend to vote against the proposed grant and provided that his intention to do so has been stated in the circular. Our Company will send a circular to our Shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) of the GEM Listing Rules shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the GEM.

As at the Latest Practicable Date, no Options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. KS Lau, Mr. Sanny Lau and Classy Gear (collectively, the “**Indemnifiers**”) have, under a Deed of Indemnity as referred to in “B. Further Information About The Business —1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and
- (c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or contesting of any claim under (b) above;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment, award or decision is given in favour of any member of our Group; or
 - (iv) the enforcement of any such settlement or decision or judgment or award.

Under the Deed of Indemnity, each of the Indemnifiers has also jointly and severally agreed and undertaken to indemnify the members of our Group and at all times keep them fully indemnified on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the Listing Date, including:

- (a) our Group's non-compliance matters occurred during the Track Record Period; and
- (b) the potential claims as set out in the section headed "Business — Litigation and claims — Potential claims" of this prospectus.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation, among other things:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group up to 30 April 2016;

- (b) falling on any member of our Group in respect of their accounting periods or any accounting period commencing after 30 April 2016 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 30 April 2016;
- (c) to the extent that such taxation arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority coming into force after the Listing Date or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect;
- (d) to the extent that such taxation is discharged by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or
- (e) to the extent of any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any such liability arising thereafter.

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 had 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 Listing Division for the 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 to the Stock Exchange 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\$5 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\$33,540 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:

Name	Qualifications
Dakin Capital Limited	a licensed corporation under the SFO permitted to carry on type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)
Grant Thornton Hong Kong Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong
Ipsos Limited	Industry consultant

7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 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 share register of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited, and a branch share registrar of our Company will be maintained by Boardroom Share Registrars (HK) Limited. 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

Our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 April 2016 (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. 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.

12. Miscellaneous

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 24 months immediately preceding the date of this prospectus;
- (v) none of the experts named in the paragraph headed “E. Other information — 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 did 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; and

(ix) our Group has no outstanding convertible debt securities.

13. 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 section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- i. the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus; and
- ii. a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow at Suites 1604-6, 16th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- i. the Memorandum and the Articles;
- ii. the accountants’ report and the report on 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;
- iii. the audited combined financial statements of the companies comprising our Group for the two years ended 30 April 2016;
- iv. the letter of advice from Appleby, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- v. the legal opinion dated the date of this prospectus issued by our Legal Counsel;
- vi. the Ipsos Report;
- vii. the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- viii. the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus;
- ix. the service agreement and appointment letter of each of our Directors referred to in the paragraph headed “C. Further information about substantial shareholders, directors and experts — 2. Particulars of service agreements” in Appendix IV to this prospectus;
- x. the Companies Law; and
- xi. the rules of the Share Option Scheme.



Tai Kam Holdings Limited
泰錦控股有限公司