



TAILAM TECH CONSTRUCTION HOLDINGS LIMITED 泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6193

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



SHARE OFFER

IMPORTANT

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

Tailam Tech Construction Holdings Limited 泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 79,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 7,900,000 Shares (subject to reallocation)
Number of Placing Shares	: 71,100,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$1.40 per Offer Share, and expected to be not less than HK\$1.30 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 6193

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Joint 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 section headed "Documents Delivered to the Registrar of Companies in Hong Kong and available for inspection — Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) on the Price Determination Date which is expected to be on or around Wednesday, 11 December 2019 or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)). The Offer Price will not be more than HK\$1.40 per Offer Share and is currently expected to be not less than HK\$1.30 per Offer Share unless otherwise announced. If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)), the Share Offer will not proceed and will lapse immediately.

The Joint Bookrunners (for themselves and on behalf of the Underwriter(s)), with our Company's consent, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time prior to the Price Determination Date, which is expected to be on or around Wednesday, 11 December 2019. In such a case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on websites of our Company's website at www.tlpile.com and the Stock Exchange at www.hkexnews.hk, not later than the Price Determination Date, which is expected to be on or around Wednesday, 11 December 2019.

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

Prospective investors of the Share Offer should note that the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) is entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company, upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

5 December 2019

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue a separate announcement in Hong Kong to be posted on the website of our Company at www.tlpile.com⁽⁵⁾ and the website of the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on
Thursday, 5 December 2019

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on
Wednesday, 11 December 2019

Latest time to (a) lodge **WHITE** and **YELLOW**

Application Forms and
(b) give **electronic application instructions** to HKSCC⁽³⁾ 12:00 noon on
Wednesday, 11 December 2019

Application lists for Public Offer close⁽²⁾ 12:00 noon on
Wednesday, 11 December 2019

Expected Price Determination Date⁽⁴⁾ Wednesday, 11 December 2019

Announcement of:

- the final Offer Price;
- the level of indication of interest in the Placing;
- the level of applications in the Public Offer; and
- the basis of allocation of the Public Offer Shares,

to be published on the website of our Company at www.tlpile.com⁽⁵⁾
and the website of the Stock Exchange at www.hkexnews.hk
on or before Tuesday, 17 December 2019

Announcement of results of allocations under the Public Offer
(with successful applicants' identification document numbers,
where applicable) to be available through a variety of
channels as described in the section headed "How to Apply for
Public Offer Shares — 10. Publication of results"
in this prospectus including the website of our Company
at www.tlpile.com⁽⁵⁾ and the website of the Stock Exchange
at www.hkexnews.hk from⁽⁹⁾ Tuesday, 17 December 2019

Results of allocations in the Public Offer will be available
at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult/)
with a "search by ID Number/Business
Registration Number" function from⁽⁹⁾ Tuesday, 17 December 2019

EXPECTED TIMETABLE

Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾⁽⁸⁾⁽⁹⁾ Tuesday, 17 December 2019

Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾⁽⁸⁾⁽⁹⁾ Tuesday, 17 December 2019

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on⁽⁹⁾ Wednesday, 18 December 2019

The application for the Public Offer will commence on Thursday, 5 December 2019 through Wednesday, 11 December 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 17 December 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 18 December 2019.

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or an announcement of “extreme conditions” by the Government of Hong Kong in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 December 2019, the application lists will not open on that day. Particulars of the arrangements are set forth in the section headed “How to Apply for Public Offer Shares — 9. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Wednesday, 11 December 2019 or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Wednesday, 11 December 2019 or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse immediately.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates for the Public Offer Shares are expected to be issued on or about Tuesday, 17 December 2019 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 December 2019 provided that the Share Offer has become unconditional in all aspects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

EXPECTED TIMETABLE

7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque, if any.
8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 December 2019 or such other date as notified by our Company. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
- Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
- Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies — Personal collection — (iii) If you apply by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus for details.
- Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies" in this prospectus.
9. In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or extreme conditions is/are in force in any days between Tuesday, 17 December 2019 to Wednesday, 18 December 2019, then the day of (i) announcement of results of allocations under the Public Offer; (ii) despatch of share certificates and refund cheques; and (iii) dealings in the Shares on the Stock Exchange will be postponed and an announcement will be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy in any other jurisdiction or in any other circumstances.

No action has been taken to permit an offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Bookrunner, the Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus, respectively.

OVERVIEW

We manufacture and sell PHC piles and commercial concrete in the PRC. We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC, and our products are mainly sold to property developers and construction companies in Jiangsu Province.

PHC piles are widely used in construction site for civil foundation works, and commercial concrete is a basic building material that is used in almost all construction projects.

Due to the nature of commercial concrete which is a semi-finished product that will harden over time, the increase in transportation time will have a negative impact on the quality of concrete. We therefore concentrate our sale of commercial concrete (except for those produced by a subcontractor in Shanghai) mainly in Nantong within the Jiangsu Province, the PRC. As for our PHC piles, most of our customers are also within the Jiangsu Province.

According to the F&S Report, there were over 40 PHC pile manufacturers in Jiangsu Province as at 31 December 2018. The top five market players accounted for around 83.6% of the total production volume in Jiangsu Province in 2018. Our market share in Jiangsu Province in 2018 was approximately 2.7% and 3.2% in terms of PHC pile production volume and sales revenue, respectively. According to the F&S Report, we ranked sixth in terms of both PHC pile production volume and sales revenue in Jiangsu Province in 2018.

According to the F&S Report, there were over 900 commercial concrete manufacturers in Jiangsu Province as at 31 December 2018. The commercial concrete industry in Jiangsu Province is very fragmented, with the top five market players accounting for around 8.4% of the total production volume in Jiangsu Province in 2018. Our Group had a market share of approximately 0.1% and 0.2% in Jiangsu Province in 2018 in terms of commercial concrete production volume and sales revenue, respectively.

SUMMARY AND HIGHLIGHTS

Our business has experienced a significant growth during the Track Record Period, and the breakdown of our average selling price, sales volume and revenue by product categories is as follows:

	FY2016			FY2017			FY2018			6M2018			6M2019		
	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue
	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ³ in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ³ in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ³ in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ³ in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ³ in the case of commercial concrete)	(RMB'000)
PHC pile	104.6	512,820	53,652	144.8	1,095,529	158,613	193.4	1,194,184	230,922	195.7	665,054	130,138	188.4	595,489	112,219
Square pile – sourced from other suppliers	109.1	449	49	103.6	1,796	186	165.6	12,277	2,033	-	-	-	160.4	7,211	1,157
Square pile – manufactured by our Group	-	-	-	-	-	-	150.7	2,342	353	-	-	-	-	-	-
Subtotal	104.6	513,269	53,701	144.7	1,097,325	158,799	193.0	1,208,803	233,318 ⁽²⁾	195.7	665,054	130,138	188.1	602,700	113,376
Commercial concrete	321.4	148,760	47,815	368.2	379,795	139,855	430.3	513,246	220,872	438.6	140,885	61,791	440.2	358,729	157,898
Total			<u>101,516</u>			<u>298,654</u>			<u>454,190</u>			<u>191,929</u>			<u>271,274</u>

Notes:

- (1) Average selling price is calculated by dividing (i) our revenue derived from sales of these products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.
- (2) A miscellaneous revenue of approximately RMB10,000 is included.

SUMMARY AND HIGHLIGHTS

The increase in total revenue was mainly due to the increase in sales volume and average selling prices of our products. Our sales volume increased during the Track Record Period mainly as a result of the growth in the construction industry in Jiangsu Province, which also drove the average selling prices of our products up due to increased market demand. For further details, please refer to the section headed “Financial Information — Selected items of consolidated statements of comprehensive income — Revenue” in this prospectus.

The table below sets forth our gross profit and gross profit margin by product categories during the Track Record Period:

Gross profit and gross profit margin by product categories	FY2016		FY2017		FY2018		6M2018		6M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PHC pile	5,682	10.6	22,813	14.4	42,187	18.3	28,398	21.8	20,831	18.6
Square pile – sourced from other suppliers	(1)	(2.0)	-	-	95	4.7	-	-	48	4.1
Square pile – manufactured by our Group	-	-	-	-	55	15.6	-	-	-	-
Subtotal	5,681	10.6	22,813	14.4	42,337	18.1	28,398	21.8	20,879	18.4
Commercial concrete	16,066	33.6	28,882	20.7	37,131	16.8	10,174	16.5	24,131	15.3
Total	<u>21,747</u>	21.4	<u>51,695</u>	17.3	<u>79,468</u>	17.5	<u>38,572</u>	20.1	<u>45,010</u>	16.6

Our overall gross profit margin decreased from approximately 21.4% for FY2016 to approximately 17.3% for FY2017 mainly due to the increase in overall cost of sales, in particular the increase in cost of sand and gravels, which has partially offset the effect of higher selling price of both PHC piles and commercial concrete. It then remained relatively stable at approximately 17.5% for FY2018. Our gross profit margin also decreased from approximately 20.1% for 6M2018 to approximately 16.6% for 6M2019 mainly due to an increase in overall cost of sales, in particular the increase in costs of cement, sand and gravel. Our gross profit margin of commercial concrete decreased from approximately 33.6% for FY2016 to approximately 20.7% for FY2017, and further decreased to approximately 16.8% and 15.3% for FY2018 and 6M2019, respectively. The decreasing trend of our gross profit margin of commercial concrete during the Track Record Period was primarily due to the fact that average selling price of commercial concrete increased at a slower rate than the cost of sales, in particular, average costs of cement, sand and gravel. For FY2016, our average costs of cement, sand and gravel per sales volume was at a relatively low point in 2016 mainly due to the decrease in average prices of sand, gravel and cement in light of the supply side effects in the PRC. As a result, our gross profit margin of commercial concrete was exceptionally high at approximately 33.6% for 2016. Since 2016, according to the F&S Report, the average price of raw materials in construction material industry experienced an upward trend due to shortage of raw materials, which also posed much higher cost pressures on commercial concrete manufacturers. Due to the foregoing, our average costs of cement, sand and gravel per sales volume increased at a CAGR of approximately 33.2%, 32.7% and 42.0%, respectively, from 2016 to 2018, which outweighs the increase in our average selling price of commercial concrete at a CAGR of approximately 15.7% during the same periods as we were unable to shift all the increase in costs in our raw materials to our customers because not all of our contracts with customers include unrestrained price adjustment mechanism. For further details, please refer to the section headed “Financial Information — Selected items of consolidated statements of comprehensive income — Gross profit and gross profit margin” in this prospectus.

SUMMARY AND HIGHLIGHTS

We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC. The table below sets forth the utilisation rates of our production facility for FY2016, FY2017, FY2018, 6M2018 and 6M2019:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>6M2018</u>	<u>6M2019</u>
PHC pile					
Maximum annual permitted production capacity (<i>in metres</i>) ⁽¹⁾	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Actual production volume (<i>in metres</i>)	590,200	1,056,434	1,154,154	543,521	532,509
Utilisation rate (%) ⁽²⁾	39.3	70.4	76.9	36.2	35.5
Commercial concrete					
Maximum annual permitted production capacity (<i>in m³</i>) ⁽¹⁾	400,000	400,000	400,000	400,000	400,000
Actual production volume (<i>in m³</i>) ⁽³⁾	149,134	380,097	325,749	140,885	238,063
Utilisation rate (%) ⁽⁴⁾	37.3	95.0	81.4	35.2	59.5

Notes:

1. The maximum annual permitted production capacity is based on the approval letter from the PRC Government.
2. Utilisation rate = Actual production volume (in metres)/design production capacity (in metres) x 100%.
3. Actual production volume does not include sales volume from subcontracting arrangements with Customer K as further explained in the section headed “Business — Customers — Overlapping customer and subcontractor/supplier” in this prospectus.
4. Utilisation rate = Actual product volume (in m³)/maximum annual permitted production capacity (in m³) x 100%.

During the Track Record Period, as our Group did not have a separate production line for square piles, we only produced approximately 2,342 metres of square piles on a trial basis for FY2018, using the existing production line for PHC piles. We therefore do not have information such as production capacity and utilisation rate for square piles on a standalone basis during the Track Record Period.

Our Directors are of the view that our growth of production volume of PHC piles and commercial concrete for FY2017 of approximately 79.0% and 154.9%, respectively outperformed production volume of PHC piles and commercial concrete in Jiangsu Province for FY2017 of approximately 8.4% and 13.4%, respectively primarily due to (i) our competitive strengths as further explained in the section headed “Business — Our strengths” in this prospectus; and (ii) the fact that our high growth rates for production volume was simply due to the lower base production volume as compared to that of the market size in Jiangsu Province. Due to the same reasons, our growth in production volume of commercial concrete of approximately 70.0% for 6M2019 outperformed production volume of commercial concrete in Jiangsu Province of approximately 9.9% in 2019. This resulted to our Group’s volume growth rate appear to be much higher than that of the Jiangsu Province’s in which our Group was actually just maintaining its market share in Jiangsu Province organically.

OUR BUSINESS MODEL

Our business model is mainly to manufacture and sell PHC piles and commercial concrete. During the Track Record Period, we had produced square piles on a trial basis as the production process is very similar to that of PHC piles. The revenue attributable to the sale of square piles during the Track Record Period was immaterial but nevertheless encouraging.

For PHC piles, we mainly produce the required number of PHC piles after receiving orders, but we also produce PHC piles with the most common specifications in stock based on our estimation of market demand and sales order.

SUMMARY AND HIGHLIGHTS

For commercial concrete, we usually produce the required amount of commercial concrete after receiving orders from our customers. Due to the semi-finished nature of commercial concrete which hardens over time, it is not possible to keep inventory of commercial concrete.

In FY2018 and 6M2019, with a view to exploring markets outside Jiangsu Province, we engaged a subcontractor in Shanghai to produce commercial concrete for us for sale in Shanghai. For further details, please refer to the section headed “Business — Raw materials and suppliers — Subcontracting arrangements” in this prospectus.

OUR CUSTOMERS

Our customers are mainly property developers and construction companies based in Jiangsu Province, the PRC.

The table below sets forth a breakdown of our revenue by geographical location based on the site of delivery designated by our customers during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Jiangsu Province	101,516	100.0	284,241	95.2	373,277	82.2	191,929	100.0	218,242	80.5
Shanghai	-	-	14,413	4.8	80,913	17.8	-	-	53,032	19.5
Total	<u>101,516</u>	<u>100.0</u>	<u>298,654</u>	<u>100.0</u>	<u>454,190</u>	<u>100.0</u>	<u>191,929</u>	<u>100.0</u>	<u>271,274</u>	<u>100.0</u>

Since FY2017, we started to sell our PHC piles in Chongming District, Shanghai, and recorded an aggregate revenue of approximately RMB14.4 million from Customer G (which also has business presence in Shanghai) and three other customers. Revenue for PHC piles in Shanghai decreased to approximately RMB3.0 million for FY2018 and were all originated from Customer G.

Our revenue from Shanghai increased from approximately RMB14.4 million for FY2017 to approximately RMB80.9 million for FY2018 primarily due to (i) commercial concrete sold to Customer K of approximately RMB77.9 million; and (ii) PHC piles sold to Customer G of approximately RMB3.0 million. Our revenue from Shanghai increased from nil for 6M2018 to approximately RMB53.0 million for 6M2019 as a result of the commercial concrete sold to Customer K of approximately RMB53.0 million. For further details of our business arrangement with Customer K in Shanghai, please refer to the section headed “Business — Customers — Overlapping customer and subcontractor/supplier” in this prospectus.

During the Track Record Period, our Group’s five largest customers in aggregate accounted for approximately 36.4%, 48.5%, 49.5% and 46.9%, respectively, of our Group’s total revenue while the largest customer accounted for approximately 8.2%, 13.3%, 17.2% and 19.5% of our Group’s total revenue, respectively.

All our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

During the Track Record Period, our suppliers were mainly raw material suppliers.

SUMMARY AND HIGHLIGHTS

Mr. Wang Chaohuai

Mr. Wang Chaohuai is the cousin of Ms. Wong Han Yu Alice, our Controlling Shareholder and Executive Director and is therefore a connected person.

Mr. Wang Chaohuai and a company controlled by him, namely Supplier I, were together our largest supplier in the Track Record Period. During the Track Record Period, we have entered into written agreements with Mr. Wang Chaohuai/Supplier I for the supply of sand and gravel. Our purchases attributable to Mr. Wang Chaohuai and Supplier I, in aggregate, amounted to approximately RMB23.2 million, RMB84.4 million, RMB96.6 million and RMB20.8 million, respectively, representing approximately 26.8%, 31.6%, 24.7% and 9.8% of our total purchases, respectively.

Other than Supplier I, Mr. Wang Chaohuai does not hold any directorship or interests in any other companies, and there are no other entities controlled by Mr. Wang Chaohuai that had/have business with our Group during the Track Record Period.

Our Directors confirm that (i) the transactions we entered into with Mr. Wang Chaohuai and Supplier I during the Track Record Period were on normal commercial terms; and (ii) they do not consider our Group heavily relies on Mr. Wang Chaohuai as our supplier for the following reasons:

- (i) Mr. Wang Chaohuai is not our only sand and gravel supplier.
- (ii) Our purchase from Mr. Wang Chaohuai (including Supplier I) only accounted for approximately 26.8% and 31.6% of our total purchases in FY2016 and FY2017, respectively, and has declined from approximately 31.6% in FY2017 to approximately 24.7% in FY2018 and approximately 9.8% in 6M2019.
- (iii) Sand and gravel are not rare commodities nor do they require any special processing. In addition, our Group has been paying market price for sand and gravel supplied by Mr. Wang Chaohuai/Supplier I. Therefore, we do not foresee any difficulties in finding substitute supplier, and that there will be no financial impact on our Group if we switch to another supplier for sand and gravel.

For further details, please refer to the section headed “Business — Raw materials and suppliers — Supplier concentration risk with Mr. Wang Chaohuai” in this prospectus.

During the Track Record Period, the percentages of total purchases attributable to our five largest suppliers were approximately 63.0%, 72.2%, 69.3% and 69.5%, respectively, and the percentages of total purchase attributable to our largest supplier accounted for approximately 26.8%, 31.6%, 24.7% and 19.8% of our total purchases, respectively. Other than Mr. Wang Chaohuai/Supplier I, all of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

In FY2018 and 6M2019, Customer K was our largest customer. To the best knowledge and belief of our Directors, its related company was our subcontractor for the production of commercial concrete in Shanghai.

The revenue generated from Customer K in FY2018 and 6M2019 accounted for approximately 17.2% and 19.5% of our total revenue for the corresponding periods, respectively. The subcontracting fee we paid the subcontractor for the production of commercial concrete in Shanghai only accounted for approximately 1.5% and 1.7% of our total cost of sales in FY2018 and 6M2019, respectively. For further details, please refer to the section headed “Business — Customers — Overlapping customer and subcontractor/supplier” in this prospectus.

Save as disclosed above, there were no other major customers during the Track Record Period who were also our suppliers during the corresponding period.

SUMMARY AND HIGHLIGHTS

KEY FINANCIAL DATA

The table below sets forth a summary of our Group’s consolidated financial information for the Track Record Period, which has been extracted from the Accountant’s Report as set out in Appendix I to this prospectus:

Highlights of consolidated statements of comprehensive income

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>6M2018</u>	<u>6M2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	101,516	298,654	454,190	191,929	271,274
Cost of sales	<u>(79,769)</u>	<u>(246,959)</u>	<u>(374,722)</u>	<u>(153,357)</u>	<u>(226,264)</u>
Gross profit	21,747	51,695	79,468	38,572	45,010
Finance costs – net	(1,535)	(1,726)	(1,970)	(1,051)	(1,175)
Profit before income tax	<u>13,289</u>	<u>37,511</u>	<u>47,118</u>	<u>26,464</u>	<u>24,253</u>
Income tax expenses	<u>(3,435)</u>	<u>(9,877)</u>	<u>(13,095)</u>	<u>(6,686)</u>	<u>(7,740)</u>
Profit for the year/period	<u><u>9,854</u></u>	<u><u>27,624</u></u>	<u><u>34,023</u></u>	<u><u>19,778</u></u>	<u><u>16,513</u></u>
Profit for the year/period attributable to:					
Owner of our Company	9,441	26,461	31,297	18,356	16,167
Non-controlling interests	413	1,163	2,726	1,422	346

Our Group’s net profit increased from approximately RMB9.9 million for FY2016 to approximately RMB27.6 million for FY2017, and further increased to approximately RMB34.0 million for FY2018. Our Group’s net profit decreased from approximately RMB19.8 million for 6M2018 to approximately RMB16.5 million for 6M2019.

For further details, please refer to the section headed “Financial Information — Period-on-period comparison of results of operation” in this prospectus.

Accumulated loss as at 1 January 2016

The amounts of, and the circumstances leading to, the accumulated losses prior to the Track Record period

As at 1 January 2016, we recorded accumulated losses of approximately RMB17.8 million, which was primarily due to combined effect of the following factors:

- we were undergoing a transition period between Jiangsu Tailam’s incorporation in 2011 to 2014 in which our management focus at that time had been placed in infrastructure building, production line establishment, process optimisation and network building.
- prior to 2015, owing to the fact that both our PHC pile and commercial concrete operations only commenced production to our customers after late second quarter of 2013, Jiangsu Tailam only generated revenue starting from 2013 while administrative expenses such as employee benefit expenses and utilities were incurred for 2012, we initially recorded net loss for 2012.

SUMMARY AND HIGHLIGHTS

- we recorded net loss of approximately RMB11.4 million for 2013 primarily due to the combined effect of (i) the negative gross profit of our PHC piles of approximately RMB1.5 million as our Group's PHC pile operation only commenced production to our customers in late second quarter of 2013 while our Group had to pay for the staff costs and incurred depreciation and amortisation charges for its production lines; and (ii) the administrative expenses incurred of approximately RMB10.4 million mainly due to employee benefit expenses and utilities. As a result, the accumulated losses amounted to approximately RMB13.4 million as at 1 January 2014.
- we recorded net loss of approximately RMB11.0 million for 2014 primarily due to the combined effect of (i) the gross profit of approximately RMB6.9 million; (ii) the selling and marketing expenses incurred of approximately RMB8.0 million mainly as a result of freight charges incurred for products transported to our customers at their requests in 2014; and (iii) the administrative expenses incurred of approximately RMB12.4 million mainly due to employee benefit expenses and utilities; provision for impairment of inventories; and road construction costs incurred for road infrastructure outside our production premises. As a result, the accumulated losses amounted to approximately RMB24.4 million as at 1 January 2015.
- during 2015, our revenue grew to approximately RMB98.0 million and achieved an overall net profit position for the first time since our date of incorporation with a net profit of approximately RMB6.6 million. The net profit in 2015 was partially offset by the accumulated losses previously brought forward and the accumulated losses decreased to approximately RMB17.8 million as at 1 January 2016.

The financial information for the years ended 31 December 2013, 2014 and 2015 as mentioned above was extracted from the financial statements of our Group for the years ended 31 December 2013, 2014 and 2015 which have been reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

Specific events or activities undertaken by our Group which led to the turnaround of its business/financial performance and outperformed to its peers in China and Jiangsu Province

As a result of the foregoing and due to our cautious management of product mix, sales volume, revenue, pricing, cost structure and profitability in respect of our two major business segments, we recorded a turnaround since the year ended 31 December 2015. After establishing foundation for our business network and gathering experience in operating our production efficiently, our Group had undertaken additional plans in business development and production management, including:

- our third environmental protection commercial concrete mixing plant (for commercial concrete) was put into operation in 2014, which improved our production capacity to satisfy customers' demand.
- certain minor adjustments in our business arrangements with customers due to better bargaining power as longer business relationships were established with our customers. Since May 2015, we are generally not responsible for the transportation of PHC piles to the relevant sites of our customers, and thus minimal charges were incurred for products transported to our customers at their requests since then.
- since 2014, our Group also began to approach property developers and construction companies to promote our products more actively in order to enhance our Group's market presence. Accordingly, in 2014, we were able to secure contracts with customers with an aggregate amount over RMB60 million. Our Directors believe that such efforts and our involvement in various buildings projects with local construction companies and property developers had led to an enhancement of our market profile in Qidong City, Nantong, Jiangsu Province, leading to a surge in (i) the numbers of new customers from 2016 onwards; and (ii) the number of relatively large contracts we secured with our customers.

SUMMARY AND HIGHLIGHTS

We recorded net profit for 2015, 2016 and 2017 of approximately RMB6.6 million, RMB9.9 million and RMB27.6 million, respectively. Such net profits were able to fully offset all the accumulated losses before the Track Record Period and we recorded retained earnings of approximately RMB14.3 million as at 31 December 2017. For further details, please refer to the section headed “Financial Information — Significant differences in business and financial information of our Group three years prior to the Track Record Period and that of the Track Record Period” in this prospectus.

Highlights of consolidated balance sheets

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	47,512	44,885	48,070	60,097
Current assets	71,333	130,995	202,525	205,874
Current liabilities	127,053	152,271	184,317	191,317
Net current (liabilities)/assets	(55,720)	(21,276)	18,208	14,557
Total (deficit)/equity	(8,716)	23,503	66,278	74,397

We recorded net current liabilities of approximately RMB55.7 million and RMB21.3 million as at 31 December 2016 and 2017, respectively. Our Group’s net current liabilities position as at 31 December 2016 and 2017 was primarily due to loan from Controlling Shareholder, being Ms. Wong Han Yu Alice, of approximately RMB55.7 million and RMB62.3 million as at 31 December 2016 and 2017, respectively, and loan from a shareholder of a subsidiary, being Mr. Lam Ting Tung, of approximately RMB13.9 million and RMB13.0 million as at 31 December 2016 and 2017, respectively. Our Group changed from net current liabilities position as at 31 December 2017 of approximately RMB21.3 million to net current assets position as at 31 December 2018 of approximately RMB18.2 million. The increase in net current assets was mainly due to (i) the increase in trade and other receivables of approximately RMB54.5 million as a result of the increase in revenue; and (ii) the increase in cash and cash equivalents of approximately RMB19.5 million, which was partially offset by (a) the increase in trade and other payables of approximately RMB24.9 million as a result of the increased purchases of raw material; (b) the increase in current income tax liabilities of approximately RMB2.7 million; and (c) the increase in borrowings of approximately RMB8.0 million.

For further details, please refer to the section headed “Financial Information — Net current (liabilities)/assets” in this prospectus.

Highlights of consolidated statements of cash flows:

	FY2016	FY2017	FY2018	6M2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	13,830	1,459	20,112	5,744	18,863
Net cash used in investing activities	(1,482)	(1,907)	(7,570)	(522)	(7,642)
Net cash (used in)/generated from financing activities	(5,774)	7,563	6,972	10,715	(2,040)
Net increase in cash and cash equivalents	6,574	7,115	19,514	15,937	9,181
Cash and cash equivalents at beginning of the year/period	383	6,954	14,078	14,078	33,566
Cash and cash equivalents at end of the year/period	6,954	14,078	33,566	30,014	42,735

SUMMARY AND HIGHLIGHTS

Our Group recorded net cash generated from operating activities of approximately RMB13.8 million, RMB1.5 million, RMB20.1 million, RMB5.7 million and RMB18.9 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. Our net cash generated from operating activities decreased from approximately RMB13.8 million for FY2016 to approximately RMB1.5 million for FY2017. The decrease was primarily due to the increase in trade and other receivables as at 31 December 2017 of approximately RMB45.0 million, which outpaced the growth of trade and other payables as at 31 December 2017 of approximately RMB18.7 million, while our revenue growth and cost of sales growth was generally in line for FY2017. This was due to the shortage of raw material supplies in FY2017, resulting in our suppliers requesting us to pay on demand, causing time lags between making payments to our suppliers and receiving payments from our customers by the end of FY2017. Since FY2017, our net cash generated from operating were in an increasing trend.

Our Group recorded net cash generated from financing activities of approximately RMB7.6 million, RMB7.0 million and RMB10.7 million for FY2017, FY2018 and 6M2018, respectively. For FY2017, our net cash generated from financing activities was mainly attributable to cash inflows for receipt of loans from controlling shareholder of approximately RMB10.4 million; and was partially offset by (i) cash outflows for interest paid of approximately RMB1.7 million; and (ii) repayments of obligations under finance leases of approximately RMB0.8 million. For FY2018, our net cash generated from financing activities was mainly attributable to (i) cash inflows for proceeds from bank borrowings of approximately RMB42.0 million; (ii) cash inflows for capital injection from non-controlling interests of approximately RMB12.0 million; and (iii) cash inflows for receipt of loans from controlling shareholder of approximately RMB5.2 million; and was partially offset by (a) cash outflows for repayments of bank borrowings of approximately RMB34.0 million; (b) cash outflows for repayment of loans to controlling shareholder of approximately RMB11.9 million; (c) cash outflows for professional expenses paid in connection with the issuance of new shares during the Listing process of approximately RMB3.7 million; and (d) cash outflows for interest paid of approximately RMB2.2 million. For 6M2018, our net cash generated from financing activities was mainly attributable to (i) cash inflows for proceeds from bank borrowings of approximately RMB9.0 million; and (ii) receipts of loans from controlling shareholder of approximately RMB3.0 million; and was partially offset by cash outflows for interest paid of approximately RMB1.1 million.

For further details, please refer to the section headed “Financial Information — Liquidity and capital resources” in this prospectus.

KEY FINANCIAL RATIOS

	As at/For the year ended 31 December			As at/For the six months ended 30 June
	2016	2017	2018	2019
Gross profit margin (%)	21.4	17.3	17.5	16.6
Net profit margin (%)	9.7	9.2	7.5	6.1
Current ratio (times)	0.6	0.9	1.1	1.1
Quick ratio (times)	0.4	0.7	0.9	1.0
Gearing ratio (%) <i>(Note)</i>	N/A	106.4	49.8	68.4
Debt to equity ratio (%)	N/A	38.0	N/A	6.9
Interest coverage (times)	9.7	22.7	24.9	21.6
Return on assets (%)	8.3	15.7	13.6	12.4
Return on equity (%)	N/A	117.5	51.3	44.4

Note: As at 31 December 2017 and 2018 and 30 June 2019, our gearing ratio was approximately 106.4%, 49.8% and 68.4%, respectively. The decrease in gearing ratio as at 31 December 2018 was primarily due to the improvement in our net profits, which increased our retained earnings and thus significantly increased our equity base by approximately 182.0% while our interest-bearing loans only increased by approximately 32.0% as at 31 December 2018. The increase in our gearing ratio increased from approximately 49.8% as at 31 December 2018 to approximately 68.4% as at 30 June 2019 was mainly attributable to the increase in short-term borrowings as at 30 June 2019 as we secured three new loans for 6M2019, which was partially offset by the increase in total equity as at 30 June 2019.

SUMMARY AND HIGHLIGHTS

For further details regarding the calculation basis for the above ratios, please refer to the section headed “Financial Information — Selected key financial ratios” in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Share Offer and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Apax Investment will control 59.85% of the issued share capital of our Company. As at the Latest Practicable Date, Apax Investment was owned as to 100% legally and beneficially by Ms. Wong Han Yu Alice. As such, Apax Investment and Ms. Wong Han Yu Alice are regarded as Controlling Shareholders within the meaning of the Listing Rules.

As part of the Reorganisation, Ms. Wong Han Yu Alice agreed to waive a portion of the non-interest-bearing loan of an amount equivalent to approximately RMB50.2 million due and payable by Tailam Hong Kong to her, conditionally upon the Listing. The remaining balance of the non-interest-bearing loan due and payable by Tailam Hong Kong to Ms. Wong Han Yu Alice will be repaid before the Listing using our internal resources.

For further details, please refer to the sections headed “Relationship with Our Controlling Shareholders” and “Substantial Shareholders” in this prospectus.

CONNECTED TRANSACTIONS

We have entered into certain agreements with entities that will constitute our connected persons and such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules following the Listing.

For further details, please refer to the section headed “Connected Transactions” in this prospectus.

THE LISTING AND DELISTING OF JIANGSU TAILAM FROM THE NEEQ

Jiangsu Tailam is our sole operating subsidiary. It was listed on the NEEQ on 9 December 2016 with the aim of enabling Jiangsu Tailam to have direct access to the PRC capital market for cost effective capital raising to expand its business and increase our competitiveness. During the period of the NEEQ listing, Jiangsu Tailam issued and allotted 2,000,000 ordinary shares to Mr. Lin Qisheng at the price of RMB6.00 per share and upon the completion of the shares allotment, the total number of issued shares of Jiangsu Tailam increased from 53,000,000 shares to 55,000,000 shares. In preparation for the Listing and for the purpose of streamlining our corporate structure, Jiangsu Tailam undertook a privatisation exercise and was delisted from the NEEQ on 17 September 2018. For further details of the listing and delisting of Jiangsu Tailam from the NEEQ, please refer to the section headed “History, Development and Reorganisation” in this prospectus.

PRE-IPO INVESTMENT

On 25 March 2019, the Pre-IPO Investor subscribed for 1,400,000 Shares, representing approximately 6.54% equity interest in our Company upon completion of such subscription, for a cash consideration of HK\$19.5 million which amount has been received by our Company on 25 March 2019.

For further details, please refer to the section headed “History, Development and Reorganisation” in this prospectus.

HIGHLIGHTS OF RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and operations, the PHC pile and commercial concrete industry, the PRC and the Share Offer. You should read the entire section headed “Risk Factors” in this prospectus carefully. The major risks include:

- As our PHC piles and commercial concrete are principally sold in Jiangsu Province, the demand for our products is predominantly dependent on the level of activity and growth in the construction industry in Jiangsu Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Jiangsu Province.

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- The prices of raw materials such as cement, sand and gravel are subject to price volatility caused by external conditions, and we may be unable to pass on some of the increases to our customers.
- We record net current liabilities as at 31 December 2016 and 2017, and the net current liabilities position may expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities.
- The PHC pile and commercial concrete industry is subject to significant regulation by the PRC Government. In order to engage in PHC piles and commercial concrete production, we are required to maintain certain licences and permits such as the “Construction Enterprise Qualification Certificate”. In addition, our products are also required to meet certain standards stipulated by various PRC Government authorities. Should there be any change to the existing requirements or new requirements applicable to our PHC piles and concrete products, we may need to incur additional expenses to ensure compliance.
- Any slowdown in the PRC economy or changes in political and economic policies of the PRC Government could have an adverse effect on the overall growth in the PRC, which could reduce the demand for our products and materially and adversely affect our business, financial condition and results of operations.

LISTING EXPENSES

Our estimated expenses in relation to the Share Offer, including professional fees, underwriting fees and other fees incurred in connection with the Listing, are approximately RMB34.5 million (equivalent to approximately HK\$39.4 million), of which approximately RMB15.3 million (equivalent to approximately HK\$17.4 million) is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately RMB19.2 million (equivalent to approximately HK\$22.0 million), which cannot be so deducted, was or will be charged to profit or loss, of which nil, nil, approximately RMB5.5 million (equivalent to approximately HK\$6.4 million) and RMB6.4 million (equivalent to approximately HK\$7.3 million) were charged for FY2016, FY2017, FY2018 and 6M2019, respectively, and approximately RMB7.3 million (equivalent to approximately HK\$8.3 million) is expected to be incurred before or upon completion of the Share Offer. This calculation is based on the mid-point of the indicative Offer Price range of HK\$1.30 to HK\$1.40 per Offer Share and is subject to adjustment based on the actual amount incurred or to be incurred.

REASONS FOR LISTING

Our Directors believe that the net proceeds from the Share Offer raised in the Listing will enable us to meet our genuine funding needs, and the Listing will allow our Group the flexibility of raising fund by either debt financing or equity financing in the future. For further details, please refer to the section headed “Future Plans and Use of Proceeds — Reasons for Listing” in this prospectus.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK\$1.30 per Offer Share	Based on an Offer Price of HK\$1.40 per Offer Share
Market capitalisation of the Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue ^{Note 1}	HK\$520.0 million	HK\$560.0 million
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share ^{Note 2}	HK\$0.41	HK\$0.42

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Notes:

1. The calculation of the market capitalisation is based on 400,000,000 Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma net tangible assets per Share is arrived at after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 30 June 2019 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to 30 June 2019. In particular, the unaudited pro forma adjusted net tangible assets of our Group has not taken into account the effect of the Loan Waiver amounting to RMB50.2 million. The unaudited pro forma net tangible assets per Share would have been RMB0.48 (equivalent to approximately HK\$0.55) and RMB0.50 (equivalent to approximately HK\$0.57) based on the Offer Price of HK\$1.3 and HK\$1.4 per Share, respectively, had the Loan Waiver been taken into account.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$1.35 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$67.2 million from the Share Offer after deducting the underwriting fees, commission fees, any discretionary incentive fee and estimated expenses paid/payable by us in connection with the Share Offer.

In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

Business strategies	Amount of net proceeds of the Share Offer to be utilised	Percentage of net proceeds of the Share Offer to be utilised
	<i>HK\$ million</i>	<i>%</i>
Expand our production facilities	32.6	48.6
Expand our workforce	1.7	2.5
Further improve our environmental protection system	4.1	6.1
Further strengthen our sales and marketing capabilities	3.5	5.2
Upgrade our ERP System	2.3	3.5
Repayment of bank loans	22.7	33.7
General working capital	0.3	0.4
Total	67.2	100.0

For details of our Group’s future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

DIVIDEND AND DIVIDEND POLICY

During FY2017, Jiangsu Tailam declared and paid dividends in an aggregate amount of RMB1,060,000 to its then equity holders (including Tailam Hong Kong). Save for the above, no other dividend has been paid or declared by our Company since its incorporation and up to the Latest Practicable Date.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and

SUMMARY AND HIGHLIGHTS

financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We do not have any pre-determined payout ratio.

STRATEGIC AGREEMENTS

On or after 1 February 2019, we entered into legally binding strategic agreements with seven of our customers, four of which were among our five largest customers during the Track Record Period. These agreements are framework agreements in nature, with the following major terms:

- (1) One-year duration.
- (2) Products covered: PHC piles and commercial concrete.
- (3) Our Group will be their priority supplier in a sense that they will procure PHC piles and commercial concrete from us first to the extent those products are available from us.
- (4) In return, we will offer different discounts on our selling price depending on different levels of volume purchased.
- (5) The framework agreement will be renewed if agreed by both parties.

There is no requirement for minimum purchase, and no credit limit is granted by our Group.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

We invented a system, a patent application for which has been submitted during the Track Record Period to ensure that any remnant generated in the production process of PHC piles can be reused. This process will be energy-saving and effectively minimise wastage in the production process. The patent application was still in progress as at the Latest Practicable Date.

Our business model remained unchanged since 30 June 2019. Based on our unaudited management accounts, our revenue and gross profit for the ten months ended 31 October 2019 was better than that for the ten months ended 31 October 2018 mainly due to the increase in sales of commercial concrete products. Our Directors expect that our Group's performance for the year ending 31 December 2019 ("FY2019") will be worse than that for FY2018 primarily due to the non-recurring amount of Listing expenses. Excluding the impact of the Listing expenses, we expect our performance for FY2019 will be better than that for FY2018.

Our Directors have confirmed that, since 30 June 2019 and up to the date of this prospectus, there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group. Save for the above and the Listing expenses incurred as disclosed in the section headed "Financial Information — Listing expenses" in this prospectus, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 30 June 2019, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 30 June 2019 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“Accountant’s report”	The accountant’s report of our Group as set out in Appendix I to this prospectus
“affiliate(s)”	In relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Apax Investment”	Apax Investment Holdings Limited, one of our Controlling Shareholders and a connected person of our Company, a company incorporated in the BVI with limited liability on 21 December 2018 and directly wholly-owned by Ms. Wong Han Yu Alice
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them which is used in relation to the Public Offer
“Articles” or “Articles of Association”	The amended and restated articles of association of our Company conditionally adopted with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	Has the same meaning ascribed thereto under the Listing Rules
“Blue Coral Resources”	Blue Coral Resources Limited, a current Shareholder and a connected person of our Company, a company incorporated in the BVI with limited liability on 21 December 2018 and directly wholly-owned by Ms. Grace Widjaja
“Board”	The board of Directors of our Company
“Business Day”	A day on which licensed bank in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	The British Virgin Islands
“CAGR”	Compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	The allotment and issue of 299,600,000 Shares to be made upon capitalisation of certain amounts standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of all Shareholders passed on 5 November 2019” in Appendix IV to this prospectus
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	A person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	A person admitted 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 Operational Procedures”	The operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	Collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Finance KAB”	China Finance KAB Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, being the joint bookrunner, joint lead manager and stabilising manager to the Listing
“close associate(s)”	Has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Company Law”	The Companies Law Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented, consolidated from time to time
“Companies Ordinance”	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	The Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS

“Company”, “our Company”, “we” or “us”	Tailam Tech Construction Holdings Limited (泰林科建控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 March 2019 and registered as a Non-Hong Kong Company under Part 16 of the Companies Ordinance on 27 March 2019
“connected person(s)”	Has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	Has the meaning ascribed thereto under the Listing Rules, and, in the context of our Company, means Apex Investment and Ms. Wong Han Yu Alice
“Core connected person(s)”	Has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	A deed of indemnity dated 5 November 2019 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for our subsidiaries), particulars of which are summarised in the paragraph headed “Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Lock-up Undertaking”	A deed of lock-up undertaking dated 19 November 2019 executed by the Pre-IPO Investor in favour of our Company and Ms. Wong Han Yu Alice, particulars of which are summarised in the paragraph headed “History, Development and Reorganisation — Pre-IPO investment” of this prospectus
“Director(s)” or “our Director(s)”	The director(s) of our Company
“EIT Law”	Enterprise Income Tax Law (中華人民共和國企業所得稅法)
“Executive Director(s)”	Executive director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry consultant engaged to prepare an industry report, details of which are set out in the section headed “Industry Overview” in this prospectus
“F&S Report”	The industry research report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
“FY2016”	The year ended 31 December 2016

DEFINITIONS

“FY2017”	The year ended 31 December 2017
“FY2018”	The year ended 31 December 2018
“GDP”	Gross domestic product
“Glorycore Investment”	Glorycore Investment Holdings Ltd., a current Shareholder and a deemed connected person of our Company, a company incorporated in the BVI with limited liability on 25 January 2019 and directly wholly-owned by Mr. Wang Chao Hong
“General Rules of CCASS”	The terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group” or “our Group”	Our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by them or their predecessors (as the case may be)
“HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Independent Non-executive Director(s)”	Independent non-executive director(s) of our Company
“Independent Third Party(ies)”	Individual(s) or company(ies) who is (are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules

DEFINITIONS

“Jiangsu Tailam”	Jiangsu Tailam Construction Co., Ltd.* (江蘇泰林建設有限公司) (formerly known as Jiangsu Tailam Co., Ltd.* (江蘇泰林工程構件股份有限公司)), a limited liability company incorporated in the PRC on 29 June 2011 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Joint Bookrunners”	China Finance KAB Limited, Future Land Resources Securities Limited and Brilliant Norton Securities Company Limited
“Joint Lead Managers”	China Finance KAB Limited, Future Land Resources Securities Limited, Brilliant Norton Securities Company Limited, Alpha Financial Group Limited, Luk Fook Securities (HK) Limited and Sinomax Securities Limited
“Latest Practicable Date”	25 November 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	Listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	The Listing Committee of the board of directors of the Stock Exchange
“Listing Date”	The date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around 18 December 2019
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, the supplemented or otherwise modified from time to time
“Main Board”	The stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
“Megacore Investment”	Megacore Investment Holdings Limited, a current Shareholder and a connected person of our Company, a company incorporated in the BVI with limited liability on 21 December 2018 and directly wholly-owned by Mr. Wong Leung Yau
“Memorandum” or “Memorandum of Association”	The amended and restated memorandum of association of our Company adopted on 5 November 2019 as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“Mr. Wang Chao Hong”	Mr. Wang Chao Hong, a nephew of Mr. Wong Leung Yau as well as a cousin of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai, is also a deemed connected person of our Company
“Mr. Wang Chaohuai”	Mr. Wang Chaohuai, a nephew of Mr. Wong Leung Yau as well as a cousin of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai, is also a deemed connected person of our Company
“Mr. Wong Chiu Wai”	Mr. Wong Chiu Wai, an Executive Director of our Company, the son of Mr. Wong Leung Yau, the younger brother of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling and Ms. Wong Yu Ting as well as the spouse of Ms. Chan Siu Yin who is a member of our senior management
“Mr. Wong Leung Yau”	Mr. Wong Leung Yau, a Non-executive Director of our Company as well as the father of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai
“Ms. Chan Siu Yin”	Ms. Chan Siu Yin, spouse of Mr. Wong Chiu Wai as well as daughter-in-law of Mr. Wong Leung Yau and sister-in-law of Ms. Wong Han Yu Alice and Ms. Wong Chiu Ling and Ms. Wong Yu Ting
“Ms. Grace Widjaja”	Ms. Grace Cynthia Dewi Widjaja, a sister of Mr. Andre Widjaja who in turn is a director of Jiangsu Tailam, is also a connected person of our Company
“Ms. Wong Chiu Ling”	Ms. Wong Chiu Ling, a daughter of Mr. Wong Leung Yau, the younger sister of Ms. Wong Han Yu Alice and Ms. Wong Yu Ting and an elder sister of Mr. Wong Chiu Wai
“Ms. Wong Han Yu Alice”	Ms. Wong Han Yu Alice, our chairperson, an Executive Director and a Controlling Shareholder of our Company as well as a daughter of Mr. Wong Leung Yau and the eldest sister of Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai

DEFINITIONS

“Ms. Wong Yu Ting”	Ms. Wong Yu Ting, a daughter of Mr. Wong Leung Yau as well as the younger sister of Ms. Wong Han Yu Alice, an elder sister of Ms. Wong Chiu Ling and Mr. Wong Chiu Wai
“Nantong Kangtai”	Nantong Kangtai Transportation Co., Ltd.* (南通市康泰運輸有限公司), a deemed connected person of our Company, a limited liability company incorporated in the PRC on 11 March 2013, which is owned as to 55% by Mr. Wang Chao Yu and 45% by an Independent Third Party. Mr. Wang Chao Yu is the nephew of Mr. Wong Leung Yau, cousin of Ms. Wong Han Yu Alice, Mr. Wong Chiu Wai, Ms. Wong Chiu Ling and Ms. Wong Yu Ting
“NEEQ”	The National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限公司)
“NDRC”	The National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“Non-executive Director”	Non-executive Director of our Company
“Offer Price”	The final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Share Offer which is expected to be determined as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	The Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	The option to be granted by our Company to the Placing Underwriters exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to 11,850,000 additional new Shares, representing 15.0% of the Shares initially available under the Share Offer at the Offer Price, to cover over-allocations of the Placing (if any) as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing”	The conditional offering of the Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	The 71,100,000 Shares expected to be initially offered for subscription pursuant to the Placing, representing 90.0% of the initial number of the Offer Shares, subject to reallocation and the Over-allotment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	The underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	The conditional placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“PRC” or “China”	The People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “PRC” or “China” do not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Government”	The central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Pre-IPO Investor”	Perfect Growth Limited, a limited liability company incorporated in Hong Kong on 12 December 2012, one of our current Shareholders and an Independent Third Party
“Price Determination Agreement”	The agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	The date, expected to be on or about Wednesday, 11 December 2019, or such later date, as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed for the purpose of the Share Offer

DEFINITIONS

“Public Offer”	The offer of the Public Offer Shares for subscription by the public in Hong Kong for each at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	The 7,900,000 Shares initially being offered for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	The underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	The conditional underwriting agreement dated 4 December 2019 in relation to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters
“Reorganisation”	The pre-listing reorganisation of our Group, further details of which are described in the section headed “History, Development and Reorganisation” in this prospectus
“RMB” or “Renminbi”	The lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“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)”	The ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	The Public Offer and the Placing
“Share Option Scheme”	The share option scheme conditionally adopted by our Company on 5 November 2019, a summary of the principal terms of which is set out in the paragraphs headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shareholder(s)”	Holder(s) of the Share(s)
“Shenzhen Rongxin”	Shenzhen Rongxin Investment Management Co., Ltd.* (深圳市融信投資管理有限公司), a private limited company established in the PRC on 10 September 2015
“Sole Sponsor” or “South China Capital Limited”	South China Capital Limited, a corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	Has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	Has the meaning ascribed thereto under the Listing Rules
“Super Universe”	Super Universe Group Holdings Limited, a current Shareholder and a connected person of our Company, a company incorporated in the BVI with limited liability on 15 January 2019 and directly wholly-owned by Ms. Wong Yu Ting
“Supplier I”	Supplier I, a deemed connected person of our Company, a limited partnership which Mr. Wang Chaohuai owns 51% equity interest therein with the remaining 49% owned by Mr. Wang Qing. Mr. Wang Qing is the brother-in-law of Mr. Wong Leung Yau and the uncle of Ms. Wong Han Yu Alice, Mr. Wong Chiu Wai, Ms. Wong Chiu Ling and Ms. Wong Yu Ting
“Tailam Hong Kong”	Tailam Group Holdings Limited, a limited liability company incorporated in Hong Kong on 21 August 2014 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Tailam Hong Kong Share(s)”	The ordinary share(s) of nominal value of HK\$1.00 each in the share capital of Tailam Hong Kong

DEFINITIONS

“Tailam International”	Tailam International (HK) Company Limited, a limited liability company incorporated in Hong Kong on 10 October 2005, which is owned as to 15% by Ms. Wong Han Yu Alice, 15% by Mr. Wong Chiu Wai and 70% by Mr. Wong Leung Yau
“Tailam Investment Holdings”	Tailam Investment Holdings Limited, a limited liability company incorporated in the BVI on 15 March 2019 and a wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Track Record Period”	FY2016, FY2017, FY2018 and 6M2019
“Underwriters”	The Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	The Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	The United States of America, its territories, its possession and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	The United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Vako Investment”	Vako Investment Holdings Limited, a current Shareholder and a connected person of our Company, a company incorporated in the BVI with limited liability on 21 December 2018 and directly wholly-owned by Ms. Wong Chiu Ling
“ WHITE Application Form(s)”	The application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	The application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“6M2018”	The six months ended 30 June 2018
“6M2019”	The six months ended 30 June 2019

GLOSSARY OF TECHNICAL TERMS

The following sets out a list of glossary which contains certain terms and definition used in this prospectus in connection to our business and operations. The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

“commercial concrete”	Premixed concrete for use at construction site, as opposed to concrete mixed at the construction site
“ERP System”	Enterprise resource planning system, software designed to integrate business processes and functions
“GB/T 13476-2009”	Recommended standard for pretensioned spun concrete piles jointly published by the Standardization Administration of the PRC and the General Administration of Quality, Supervision, Inspection and Quarantine of the PRC
“GB14902-2012”	Standard for ready-mixed concrete jointly published by the Standardization Administration of the PRC and the General Administration of Quality, Supervision, Inspection and Quarantine of the PRC
“GB50164-2011”	Standard for quality control of concrete jointly published by the MOHURD and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC
“ISO”	An acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO14001”	An environment management system published by ISO to enhance their environmental performance through more efficient use of resources and reduction of waste
“ISO9001”	Quality management systems requirements published by ISO for quality assurance in design, development, product, installation and servicing
“OHSAS18001”	A framework for an occupational health and safety management system published by the British Standards Institution
“PHC pile”	Pre-stressed high-strength concrete pile, a subset of tubular pile
“Su G03-2012”	Jiangsu standard for PHC pile approved by the Department of Housing and Urban-Rural Development of Jiangsu Province, the PRC
“VAT”	Value-added tax

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial known and unknown risks and uncertainties. Any statements that express, or involve discussions with respect to expectations, beliefs, plans, objectives, assumptions or future events or performance (in general, using words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “consider”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” or other similar expressions) are not historical facts, may be forward-looking and may involve estimates and assumptions and are subject to risks (including those discussed in the section headed “Risk Factors” in this prospectus), uncertainties, and other factors some of which are beyond the control of our Company and which are difficult to predict.

Forward-looking statements in this prospectus include, without limitation, statements relating to:

- our business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- the actions and developments of our competitors;
- the trends and conditions in the industry and markets in which we operate;
- the regulatory and operating environment;
- general political and economic conditions;
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus; and
- other factors beyond our control.

These forward-looking statements reflect the current views of our Company as to future events and are not guarantees of future performance. Accordingly, our Company’s future results and achievements may differ materially and adversely from those expressed. Except as required by the Listing Rules, 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. Statements of or references to the intentions of our Company 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.

Given these risks and uncertainties, prospective investors should not place undue reliance on such forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should consider carefully all the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that almost all of our operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business depends on the level of activity and growth in the construction industry in Jiangsu Province.

As our PHC piles and commercial concrete are principally sold in Jiangsu Province, the demand for our products is predominantly dependent on the level of activity and growth in the construction industry in Jiangsu Province, which in turn depends on factors such as general economic conditions, government policy, GDP growth, fixed asset investment, consumer confidence, inflation and demographic trends in Jiangsu Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Jiangsu Province.

Jiangsu Province has maintained a steady growth in recent years. According to the F&S Report, the GDP and the total investment in fixed assets in Jiangsu Province increased from approximately RMB5.9 trillion and RMB3,637.3 billion in 2013 to approximately RMB9.3 trillion and RMB5,620.7 billion in 2018, with a CAGR of approximately 9.4% and 9.1%, respectively. Due to the high level of economic development and accelerating process of industrialisation and urbanisation in Jiangsu Province, the production volume of commercial concrete in Jiangsu Province maintained the steady growth from approximately 195.5 million m³ in 2013 to approximately 263.8 million m³ in 2018, with a CAGR of approximately 6.2%, while the production volume of PHC piles in Jiangsu Province experienced a rapid growth with a CAGR of approximately 9.0%, from approximately 28.5 million metres in 2013 to approximately 43.8 million metres in 2018. The fast growth of the economy and the construction industry has been the main driver in the growth of the PHC pile and commercial concrete industry in Jiangsu Province and the growth of our business.

We have historically benefited from the growth in the economy of Jiangsu Province. We cannot assure you that the GDP, fixed asset investment or the demand for PHC piles and commercial concrete in Jiangsu Province will continue to grow at historical rates, or at all. Any slowdown in the growth of Jiangsu Province's economy or a downturn in the construction industry in Jiangsu Province could affect the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

The prices of raw materials may continue to rise, and we may be unable to pass on some of the increases to our customers.

Certain raw materials used in our production, such as cement, sand and gravel, are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For FY2016, FY2017, FY2018 and 6M2019, our cost of raw materials and consumables used accounted for approximately 89.1%, 91.3%, 89.3% and 86.7% of our total cost of sales, respectively.

We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in costs in our raw materials to our customers. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

Straight government policies on sand mining may lead to sluggish supply of raw materials.

Due to the implementation of strict environmental protection policies such as (i) “The sole rectification of Yangtze river trunk line environmental protection (長江幹線專項整治工作)”, “Guidance on Accelerating the Development of Green Bulk Cement Industry during the 13th Five-year Plan Period (關於「十三五」期間加快散裝水泥綠色產業發展的指導意見)”; (ii) “Sand Mining Plan for the Main Stream of the Middle and Lower Reaches of the Yangtze River (2016-2020)” (長江中下游幹流河道採砂規劃(2016-2020年)) and the “Notice on Launching the National Special Rectification Action for Sand Mining in Rivers and Lakes” (關於開展全國河湖採砂專項整治行動的通知) issued by the Ministry of Water Resources which specified the scope of forbidden mining areas and further strengthened the management of sand mining in rivers and lakes; and (iii) the “Interpretation of Several Issues Concerning the Application of Law in Criminal Cases of Illegal Mining and Destructive Mining” 《關於辦理非法採礦、破壞性採礦刑事案件適用法律若干問題的解釋》 issued by Supreme People’s Court to crack down on illegal sand mining, the supply of main raw materials in concrete construction material industry, such as sandstone, cement, etc., was closely regulated and monitored, leading to the shutting down of certain small suppliers. Accordingly, this led to a sluggish supply to satisfy demand for such raw materials, resulting in large fluctuations in price. If we cannot increase prices of our products to transfer any increase in raw material costs to our customers, our business, financial condition and results of operations may be adversely affected.

We may not be able to continue to grow at rates comparable to our historical growth rates, or we may have difficulty managing our future growth.

Our revenue and net profit have grown significantly during the Track Record Period. For FY2016, FY2017, FY2018, 6M2018 and 6M2019, our revenue was approximately RMB101.5 million, RMB298.7 million, RMB454.2 million, RMB191.9 million and RMB271.3 million, respectively, and our net profit was approximately RMB9.9 million, RMB27.6 million, RMB34.0 million, RMB19.8 million and RMB16.5 million, respectively.

RISK FACTORS

We may not be able to grow, either in terms of revenue or net profit, at rates comparable to our historical growth rates, or at all. Our plan to expand capacity may involve our construction of additional production lines and acquisitions of other companies, which in turn may strain our managerial, operational, technical support, financial and human resources. As a result, we may not be able to manage such growth in a cost effective manner. Failure to effectively manage our growth could have a material adverse effect on our business, financial condition and results of operations, and could jeopardise our ability to achieve our business strategies and maintain our market position.

The PHC pile and commercial concrete industry is capital intensive, and we may need to seek additional financing to support our growth strategies.

The PHC pile and commercial concrete industry is highly capital intensive. We require a substantial amount of capital to build our production facilities, purchase production equipment and develop and implement new technologies in our new and existing facilities. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our property, plant and equipment, were approximately RMB33.8 million, RMB31.0 million, RMB33.4 million and RMB44.9 million, respectively. We expect to allocate a significant amount of capital to fund our future growth plan.

If our internally generated capital resources, net proceeds from the Share Offer and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds, joint-venture partners and other strategic investors. We may also consider raising funds through issuance of new Shares, which would lead to dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

Our business depends substantially on the sustainability of certain major customers.

We have a customer base in Jiangsu Province. The customer base mainly comprises property developers and construction companies. During the Track Record Period, our five largest customers accounted for approximately 36.4%, 48.5% and 49.5% and 46.9% of the total revenue of our Group for FY2016, FY2017, FY2018 and 6M2019, respectively.

While we have a network of customers, generally we did not enter into any long-term contract with our customers and therefore our business depends substantially on the sustainability of relationships with these customers. We cannot assure you that the relationships with the customers can be maintained and the loss of one or more major customers and/or delay or rejection of contract renewals from customers may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are exposed to the credit risk of and may experience increasing balance of trade receivables from customers and longer trade receivables and notes receivables turnover days in the future.

We are subject to the credit risks of our customers and our liquidity is dependent on the prompt payment of our customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the trade receivables from our customers less allowance for impairment amounted to approximately RMB33.4 million, RMB75.0 million, RMB120.3 million and RMB124.9 million, respectively, whereas the respective amounts of trade receivables from customers accounted for approximately 28.1%, 42.6%, 48.0% and 46.9% of our total assets, respectively. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the trade receivables which were past due for more than six months amounted to approximately RMB5.2 million, RMB7.3 million, RMB4.2 million and RMB1.0 million, respectively. The trade receivables and notes receivables turnover days were approximately 126 days, 67 days, 82 days and 88 days as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, while we grant a credit term of more than 90 days to selected customers. High turnover days may indicate that the customers tend to delay their payment. If our customers fail to settle their bills on time or at all for whatever reason, we may have cash flow mismatch which in turn may have an adverse impact on our liquidity position.

We recorded net current liabilities as at 31 December 2016 and 2017 and such may expose us to certain liquidity risks and constrain our operational flexibility.

As at 31 December 2016, we recorded net current liabilities of approximately RMB55.7 million. Our current liabilities as at 31 December 2016 was mainly attributable to loans from Controlling Shareholder, being Ms. Wong Han Yu Alice, of approximately RMB55.7 million, loans from a shareholder of a subsidiary, being Mr. Lam Ting Tung, of approximately RMB13.9 million, trade and other payables of approximately RMB22.0 million, borrowings of approximately RMB25.0 million, contract liabilities of approximately RMB8.5 million and current income tax liabilities of approximately RMB1.2 million.

As at 31 December 2017, we recorded net current liabilities of approximately RMB21.3 million. Our current liabilities as at 31 December 2017 was mainly attributable to loans from Controlling Shareholder, being Ms. Wong Han Yu Alice, of approximately RMB62.3 million, loans from a shareholder of a subsidiary, being Mr. Lam Ting Tung, of approximately RMB13.0 million, trade and other payables of approximately RMB40.5 million, borrowings of approximately RMB25.0 million, contract liabilities of approximately RMB5.8 million and current income tax liabilities of approximately RMB5.3 million.

The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. In addition, if we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient funds to finance our operations or satisfy our current liabilities in a timely manner, our business operations, our liquidity and our ability to raise funding may be materially and adversely affected by our net current liabilities and negative cash flow from operations. There can be no assurance that we will maintain sufficient working capital, revenues or raise necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

We recorded net liabilities as at 31 December 2016.

We recorded net liabilities of approximately RMB8.7 million as at 31 December 2016. This was mainly due to an accumulated loss of approximately RMB17.8 million as at 1 January 2016. For reasons and circumstances leading to the accumulated loss, please refer to the section headed “Summary and Highlights — Key financial data — Accumulated loss as at 1 January 2016” in this prospectus.

We cannot guarantee that we will not incur losses again in the future. If we record net liabilities again as a result of losses or for whatever reason, it will seriously affect our ability to raise funds and obtain bank loans, and may affect our liquidity and ability to pay debts when they fall due.

We operate in a competitive market and, if we are unable to compete successfully, our business, financial condition and results of operations may be adversely affected.

The commercial concrete industry is competitive both in Jiangsu Province and in the PRC. We compete directly with these and other competitors for customers, raw materials, energy resources and distribution network. Many of our current and potential competitors may have better brand recognition in local markets, better pricing or greater financial, technical or marketing resources than we do. While our competitors are in or near Jiangsu Province, they could compete with us for the same target customers. We compete primarily on the basis of pricing of our products, variety of product offerings, access to resources, sales and marketing network, production efficiency and brand image. If we are unable to compete successfully, our business, financial condition and results of operations could be materially and adversely affected.

Our business operations and construction of new facilities may be disrupted by reasons beyond our control, which could materially and adversely affect our business, financial condition and results of operations.

Our business operations and construction of new facilities may be disrupted by, among other things, extreme climatic and weather conditions, fires, natural disasters, epidemics, raw material supply shortages, equipment and system failures and labour force shortages. If our operations are disrupted for any reason, our business, financial condition and results of operations could be materially and adversely affected. In addition, due to the nature of our business and despite compliance with safety requirements and standards, our operations are subject to operational risks associated with the production of building materials, such as storage tank leaks, explosions, discharges of hazardous substances and malfunctioning of production machinery. These risks may result in personal injuries, property damage and imposition of civil or criminal penalties.

Our business depends on our ability to manage our working capital successfully.

Our success depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. Such successful management involves (i) timely payments of, or rolling over of, our short-term indebtedness and securing new loans on favourable terms; (ii) timely payments or re-negotiation of our payment terms for our trade payables; (iii) efficiently utilising banking facilities; (iv) timely collection of trade receivables; and (v) establishing and executing accurate and feasible budgets for our business operations. If we cannot manage our working capital successfully, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We are dependent upon outsourced workers for production in our business.

We rely on outsourced workers for our production. We may not be able to monitor the performance of these outsourced workers as directly and efficiently as our own staff. In addition, retaining capable outsourced workers who are familiar with our production processes are vital to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. Qualified workers may not always be readily available when our needs for outsourcing arise. If our labour outsourcing provider is unable to provide adequate and qualified outsourced workers, our ability to complete the production or other contracts could be impaired.

The outsourced workers also expose us to risks associated with non-performance, delayed performance or sub-standard performance by them. As a result, we may experience a deterioration in quality or late delivery of our PHC piles and commercial concrete, incur additional costs due to delays or sourcing of the qualified personnel, or be subject to liability under the relevant contracts for the non-performance, delayed performance or sub-standard performance of our outsourced workers. Such events could have a material and adverse impact upon our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

Any failure to maintain an effective quality control system at our production facilities could have a material and adverse effect on our business, financial condition and results of operations.

The quality of our products is critical to the success of our business. The quality of our products depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training programme, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or sub-standard products, which in turn may result in delays in the delivery of our products, the need to replace defective or sub-standard products and damage to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

We engage a subcontractor to carry out commercial concrete production in our operations cycle. The sub-standard or delayed performance of this subcontractor may adversely affect our reputation.

Our Group has engaged a subcontractor for the production of commercial concrete. Our Group may not be able to review and monitor the performance of this subcontractor. Our inability to ensure the product quality of this subcontractor could also hinder our ability to deliver the products to customers in a timely and satisfactory manner. Our Group is exposed to risks associated with sub-standard or delayed performance by this subcontractor. If such risks materialise, our product quality to customers may deteriorate and could therefore impact upon our profitability, financial performance and reputation, and result in litigation or damages claims.

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In addition, if this subcontractor is in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or liable to claims for losses and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

In the event that we are subject to product liability as a result of the defective concrete from this subcontractor, we will attempt to seek compensation from this subcontractor. If no claim can be asserted against this subcontractor, or amounts that we claim cannot be recovered from this subcontractor, to the extent that such amounts cannot be covered by insurance coverage, if any, we may be required to bear customer claims or replace the products at our own costs and expenses. Our reputation, business, financial condition and results of operations could be materially and adversely affected as well.

We sold commercial concrete produced by our subcontractor in Shanghai to Customer K who resold to customers in Shanghai identified by us. Customer K may choose to approach these customers identified by us in the future without our involvement.

In an attempt to further explore business in Shanghai, we have an arrangement with Customer K where we will sell commercial concrete produced by a subcontractor for us to Customer K, who will then resell it to customers in Shanghai identified by us. For details of the arrangement, please refer to the section headed “Business — Customers — Overlapping customer and subcontractor/supplier” in this prospectus.

The subcontractor was wholly-owned by the majority shareholder of Customer K at the material time to the best of the knowledge and belief of our Directors after making reasonable enquiries.

There is no guarantee that once Customer K establishes business relationship with customers in Shanghai identified by us, it will not directly approach them for future business without our involvement. If that occurs, we will have to identify other customers in Shanghai, find another business partner in Shanghai, find other subcontractors in Shanghai as the current subcontractor is related to Customer K, or even explore other ways to expand our business in Shanghai, which may have an adverse impact on our operation and financial results.

Product liability claims may be brought against us and, whether or not successful, could harm our business, financial condition and results of operations.

We are exposed to risks associated with product liability claims if the use of our PHC piles and commercial concrete results in property damage or personal injury. Our PHC piles and commercial concrete are mainly used in buildings and infrastructure projects. While we seek to conform our products to meet a variety of contractual specifications and regulatory requirements, we cannot assure you that product liability claims against us will not arise, whether due to product malfunctions, defects, or other causes. We do not maintain product liability insurance. As a result, we may be exposed to claims for losses and damages regarding the quality of our products. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. Furthermore, we cannot assure you that we will be able to defend against such claims successfully. If any such claims against us were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

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We may be subject to liabilities in connection with accidents arising from our business and operations leading to death or injury to our staff. We may not have sufficient insurance coverage for such liabilities.

We face various risks, including the risk of liability for personal injury and loss of life, damage to or destruction of facilities and equipment, transportation damages and delays, environmental pollution, and risks posed by natural disasters, in connection with our business and operations which may not be completely eliminated through the implementation of preventive measures. Our business involves the operation of heavy machinery, which, if operated improperly, may result in physical injury or even death. There can be no assurance that similar accidents will not happen in the future. If accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments to the employees and their families, in addition to possible fines or penalties. Furthermore, we may be forced to shut down certain equipment or suspend our operations due to government investigation or government requirement to implement additional safety measures. Such business interruptions will result in loss of profit to us. We cannot assure you that all risks have been covered adequately by our existing insurance policy. If we incur substantial liabilities and they are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

Any unauthorised use of our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, financial condition and results of operations.

We rely on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights, which are important to our business. Our PHC piles are principally sold under our own trademark “**TAYLAM**”. Any unauthorised use of our brand names, trademarks, and other intellectual property rights by third parties could adversely affect our business, reputation and market position.

We cannot assure you that the measures we take to protect our brand names, trademarks and other intellectual property rights will be sufficient. In addition, the application and interpretation of the PRC laws governing intellectual property rights in China are uncertain and still evolving, which could expose us to substantial risks. If we are unable to adequately protect our brand names, trademarks and other intellectual property rights, our business, financial condition and results of operations could be adversely and materially affected.

We are exposed to disruption to the delivery of our products, which could lead to delayed, damaged or lost deliveries and affect our reputation.

We deliver our products to our customers through road transport. There is no guarantee that our products will be delivered smoothly without any obstacles or delay. Delivery disruptions of our products may occur for various reasons beyond our control, including but not limited to transportation bottlenecks, poor road conditions, vehicle failure and natural disasters. Such risks could lead to delayed, damaged or lost deliveries. If our products are not delivered to our customers on time, or are damaged in the course of delivery, our reputation could be adversely affected. We may also need to make compensation payments to our customers, which in certain circumstances could be of a substantial amount.

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The letters of intent for our square piles may or may not materialise.

As at the Latest Practicable Date, we obtained letters of intent or demand indication from five existing customers with a consumption demand estimate of approximately 470,000 metres of square piles for 2020. However, the demand under these letters of intent or demand indication only represents an estimate based on the projection of our customers' business in 2020, which is subject to a lot of factors out of our customers' control, for example the PRC property market and any change in government policies concerning the property market and the construction industry. These letters of intent or demand indication therefore may or may not materialise. If they do not materialise or the actual demand for our square piles from the relevant customers is less than 470,000 metres, our business, financial condition and results of operations could be adversely and materially affected.

Our business depends substantially on the continuing efforts of our Executive Directors, senior management and key personnel.

We are dependent on the ability and expertise of our senior management for our daily business operations and formulating and implementing our business strategies. If one or more of our Executive Directors or senior management were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or form a competing company, we may lose some of our know-how and customers. If we are unable to attract and retain key personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our deferred tax assets amounted to approximately RMB1.3 million, RMB1.8 million, RMB2.0 million and RMB1.8 million, respectively, which primarily represented the temporary differences of allowance on doubtful debts and social insurance and housing funds arising from PRC subsidiary. For details of the movements of our deferred tax assets during the Track Record Period, please refer to the section headed "Accountant's Report — Notes to the Historical Financial Information — 31. Deferred income tax assets and liabilities" in Appendix I to this prospectus. Deferred tax assets are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial position in the future.

Our Controlling Shareholders will have substantial influence over us and there may be conflicts of interest between our Controlling Shareholders and our other shareholders.

Immediately after the completion of the Share Offer, our Controlling Shareholders, Apex Investment and Ms. Wong Han Yu Alice, will, in aggregate, beneficially own 59.85% of our issued share capital (assuming the Over-allotment Option and the outstanding options granted under the Share Option Scheme are not exercised). Accordingly, our Controlling Shareholders, through their

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voting power at Shareholders' meetings and their delegate(s) to our Board, will be in a position to exert significant influence over our management and corporate policies, including our development strategies, capital expenditure, dividend distribution plan, change of control and corporate opportunities. In addition, circumstances may arise in which the Controlling Shareholders' interests may conflict with your interests. Potential conflicts of interest with our Controlling Shareholders may include matters relating to:

- adopting amendments to our Articles of Association that are not in the best interests of our other Shareholders;
- determining the outcome of most corporate actions, including the enforcement of indemnities against our Controlling Shareholders which, subject to the applicable requirements of the Stock Exchange, can cause us to effect corporate transactions without the approval of our other shareholders;
- approval of potential mergers or acquisitions, asset sales, and other significant corporate transactions, including transactions which may lead to a change of control;
- issuances of securities;
- investment decisions and decisions relating to capital expenditures; and
- payment of dividends and other distributions.

Our Controlling Shareholders will have the ability to control our management and administration, including the appointment of a majority of our Directors and, indirectly, the appointment of our executive officers through those Directors. So long as our Controlling Shareholders continue to own a significant amount of our equity, our Controlling Shareholders will continue to be able to strongly influence or effectively control our decisions.

RISKS RELATING TO THE PHC PILE AND COMMERCIAL CONCRETE INDUSTRY IN THE PRC

The PHC pile and commercial concrete industry is subject to significant regulation by the PRC Government.

Various PRC Government authorities, including the Ministry of Natural Resources, the Ministry of Ecology and Environment, the State Administration for Market Regulation, the MOFCOM, and the MOHURD have the authority to issue and implement regulations governing various aspects of PHC pile and commercial concrete production.

In order to engage in PHC pile and commercial concrete production, we are required to maintain certain licences and permits such as the "Construction Enterprise Qualification Certificate". In addition, our products are also required to meet certain standards stipulated by various PRC Government authorities. For example, there is national standard for premixed concrete which strictly stipulate the standards for the production and acceptance of premixed concrete. PHC pile and commercial concrete producers in the PRC should comply with these standards. These standards provide guidelines regarding the composition and technical

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specifications for PHC pile and concrete products. Should there be any change to the existing requirements or new requirements applicable to our PHC pile and concrete products, we may need to incur additional expenses to ensure compliance and we cannot assure you that we will successfully obtain such licences, permits or approvals in a timely manner, or at all. If we are not able to meet all the licencing conditions or the regulatory requirements, our business, financial condition and results of operations could be adversely and materially affected.

The PHC pile and commercial concrete industry has traditionally been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection. While the PRC Government's current policies in respect of the domestic PHC pile and commercial concrete industry are generally market oriented, the PRC Government still closely monitors the development of the PHC pile and commercial concrete industry and may from time to time regulate the industry by issuing and implementing new regulations and policies.

Moreover, projects involving significant capital investment are subject to approval or filing requirements at different levels of the PRC Government. Compliance with these government regulations and policies and efforts to obtain such approvals may result in significant adjustments to our current or future development plans, increase our costs and divert our management resources, which may adversely affect our profitability and growth prospects.

Compliance with environmental regulations can be expensive, and any failure to comply with these regulations could result in adverse publicity, significant monetary damages and fines and suspension of our business operations.

The PHC pile and commercial concrete industry in the PRC is subject to national and local environmental protection laws and regulations. As various forms of pollution such as industrial pollution, water pollution and air pollution have increased in the PRC, the PRC Government has adopted a series of environmental policies to reduce the adverse effects of the PHC pile and commercial concrete industry on the environment, such as the national discharge standards with regards to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants. Governmental requirements that affect our operations include those relating to noise, soil, air quality, solid waste management, and waste water treatment. Failure to comply with these regulations may result in the assessment of damages or imposition of penalties, fines, administrative sanctions, proceedings and/or suspension of production or cessation of our operations or revocation of our licences or permits to conduct our business. With the increasing awareness of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. The implementation of more stringent laws and regulations or stricter interpretation of the existing laws and regulations may require us to incur additional expenses for compliance purposes. We cannot assure you that we will be able to comply with any additional environmental regulations in the future, or enhanced implementation of existing environmental regulations, on a cost-effective basis, or at all. In such circumstances, our business, financial condition and results of operations could be adversely and materially affected.

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We are subject to safety and health laws and regulations in China, and any failure to comply could adversely affect our operations.

We are required to comply with the applicable production safety standards in relation to our production processes. Our production plants and facilities are subject to regular inspections by the regulatory authorities for compliance with the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法). Furthermore, under the PRC Labour Law (中華人民共和國勞動法) and the PRC law on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法), we must ensure that our facilities comply with PRC standards and requirements on occupational safety and health conditions for employees. To ensure compliance with relevant PRC regulatory requirements, we have an experienced and qualified team of personnel carrying out monthly checking on the working environment and established safety guidelines. Nevertheless, failure to meet the relevant legal requirements on production safety and labour safety could subject us to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame and maximum fines of up to RMB500,000 per incident. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Any slowdown in the PRC economy or changes in political and economic policies of the PRC Government could have an adverse effect on the overall growth in the PRC, which could reduce the demand for our products and materially and adversely affect our business, financial condition and results of operations.

The global macroeconomic environment is facing challenges, including the trade war between China and the United States, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone and the uncertain impact of "Brexit". The growth of China's economy has slowed down in recent years and such slowdown may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including China and the United States. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially result in foreign investors exiting the China market and other economic effects.

In addition, economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. China and the United States have recently been involved in controversy over trade barriers in China that have threatened a trade war between the countries, and have implemented or proposed to implement tariffs on certain imported products. Sustained tension between China and the United States over trade policies could significantly undermine the stability of the global and China's economy. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Substantially all of our business operations are conducted in Jiangsu Province. During the Track Record Period, we derived all of our revenue from the sale of our products to customers in the PRC. Accordingly, our business, results of operations and financial condition are significantly affected by economic, political and legal developments in the PRC. Demand for our products is dependent on the pace of the economic growth in the PRC and in particular the general level of activity and growth in the construction industry in Jiangsu Province where we operate. In addition, general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, GDP growth and consumer confidence also influence the performance and growth of the construction industry and, consequently, the demand for our products. A downturn in the construction industry in the PRC or in any of the regional markets in Jiangsu Province where we operate could materially and adversely affect our business, financial condition and results of operations.

The PRC Government has implemented economic reform measures and industrial policies in the past four decades and will continue to do so in order to utilise market forces in the development of the PRC economy. Some of these measures and policies, while benefiting the overall PRC economy, may have a negative effect on us. For example, efforts by the PRC Government to slow the pace of growth of the real estate industry in the PRC may negatively affect the real estate market and consequently impede the growth of the construction industry. Any weakening in the real estate sector in our target markets could adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes and prior court decisions can only be used as reference. Since the late 1970s, the PRC Government has significantly enhanced PRC laws, rules and regulations in relation to economic matters such as foreign investments, corporate organisation and governance, commerce, taxation and trade. However, the PRC does not yet have a fully integrated legal system. Due to the limited volume of published cases and the non-binding nature of prior court decisions, the interpretation and enforcement of many recently enacted laws, rules and regulations may be uncertain or inconsistent. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention, which in turn could have a material and adverse effect on our business, financial condition and results of operation.

RISK FACTORS

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

The EIT Law and its implementation rules, which provided for the levying of withholding tax on PRC-sourced income, are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to identification of PRC-sourced income. Please refer to the section headed “Regulatory Overview — VIII. Taxation — Enterprise Income Tax” in this prospectus for details. If we were considered to be a PRC “resident enterprise” under the EIT Law, it is unclear whether the dividends we pay with respect to the Shares, or the gain our foreign Shareholders (excluding individual natural persons) may realise from the sale of the Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if they are required to pay PRC income tax on the transfer of the Shares, the value of their investment in the Shares may be materially and adversely affected.

Government control over currency conversion may affect the value of your investment in our Shares and limit our ability to utilise our cash effectively.

The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign-invested enterprise in the PRC, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require prior approval from SAFE or its local branch. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

We received payments in Renminbi. Renminbi is not a freely convertible currency. We will have to convert portion of our Renminbi revenue or profit to meet our foreign currency obligations, such as the payment of dividends, if declared. Limits in the PRC on conversion of Renminbi into foreign currency may restrict our ability to pay dividends or other payments, or otherwise satisfy foreign currency-denominated obligations. If restrictions imposed by the PRC Government prevent us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

In addition, since our revenues have been and will continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us, which could have a material and adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO THE SHARE OFFER

An active trading market for our Shares may not develop.

Following the completion of the Share Offer, the Stock Exchange will be the only market on which our Shares are listed. While the shares of our sole operating subsidiary, Jiangsu Tailam, were listed on the NEEQ on 9 December 2016 and were delisted on 17 September 2018, we cannot assure you that an active public trading market for our Shares will develop upon Listing. In addition, after the Share Offer, our Shares may trade in the public market below the Offer Price. The Offer Price will be determined by agreement among us and the Joint Bookrunners on behalf of the Underwriters, and it may differ significantly from the market price of our Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

You should be aware that the trading price of our Shares may be volatile and could fluctuate significantly in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United Kingdom, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors that may substantially affect the share price and trading volume include, among other things, variations in our revenue, earnings, cash flow and costs, announcements of new investments, the performance of our investments, large purchases or sales of our Shares, the level of liquidity in our Shares, response to announcements and any future fund raisings, currency fluctuations, legislative, regulatory or taxation changes, market sentiment and general economic conditions or the occurrence of any of the risks described elsewhere in this section. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Future sales of substantial amounts of our Shares could adversely affect the prevailing market price of our Shares.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date of the Public Offer Underwriting Agreement, the details of which are set forth in the section headed “Underwriting — Undertakings pursuant to the Public Offer Underwriting Agreement” in this prospectus. We cannot assure you that, after such restrictions expire, these shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

RISK FACTORS

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC PHC pile and commercial concrete industry contained in this prospectus.

We have derived certain facts, forecasts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC PHC pile and commercial concrete industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers (save for Frost & Sullivan), and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include the facts, forecasts and statistics used in the sections headed “Risk Factors”, “Industry Overview”, “Business” and “Future Plans and Use of Proceeds” in this prospectus. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

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 Share Offer including, in particular, any financial projections, valuations or other forward looking statement.

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, 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 subscribe the Share Offer. You should rely only on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the requirements under certain provisions of the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must ordinarily reside in Hong Kong.

Since the business and operations of our Group are primarily located, managed and conducted in the PRC, there is no business or practical need for our Company to appoint Executive Directors in Hong Kong. All of our Executive Directors and our Group's senior management are, and will continue to be in the foreseeable future, based in the PRC. As each of our Executive Directors contributes a vital role in our business and operations, it is essential for them to remain residence in the PRC and closely monitor our operations. It may not be in the best interests of our Company and Shareholders as a whole to relocate our Executive Directors to Hong Kong or to appoint additional Executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will be burdensome, will increase our administrative expenses and reduce the effectiveness and responsiveness of our Board in making decisions. Our Company does not have, and does not contemplate in the foreseeable future, that it will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

An application for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules has been made to, and granted by, the Stock Exchange on the following conditions:

1. our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Ms. Wong Han Yu Alice, our Executive Director and chairperson of our Board, and Ms. Wong Sau Ping, one of our joint company secretaries who is an ordinary resident in Hong Kong. Each of the authorised representatives has confirmed that she will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our Company's behalf with the Stock Exchange. Each of them has confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

2. our Company's authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;
3. our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed South China Capital Limited as our compliance adviser, which will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that South China Capital Limited shall have access at all times to our authorised representatives, Directors and members of the senior management. The compliance adviser will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;
4. meetings between the Stock Exchange and our Directors could be arranged through our Company's authorised representatives or our Company's compliance adviser, or directly with our Directors within a reasonable timeframe. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and
5. each Director who is not ordinarily resident in Hong Kong has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that the issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, an issuer must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Note 1 to Rule 3.28 of the Listing Rules further provides that, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

1. a member of the Hong Kong Institute of Chartered Secretaries;
2. a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
3. a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

1. length of employment with the issuer and other issuers and the roles he/she played;
2. familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
3. relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
4. professional qualifications in other jurisdictions.

Having considered the rationale of Rules 3.28 and 8.17 of the Listing Rules, our Directors acknowledge the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations.

Our Company has appointed Ms. Chan Siu Yin and Ms. Wong Sau Ping as the joint company secretaries of our Company.

Ms. Wong Sau Ping is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Wong Sau Ping is an ordinarily resident in Hong Kong and is qualified to act as a joint company secretary of our Company. On the other hand, Ms. Chan Siu Yin is not a certified public accountant as defined in the Professional Accountants Ordinance, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Directors consider that Ms. Chan Siu Yin by virtue of her background and experience, is capable of discharging the functions of a joint company secretary. As the special assistant to the chief executive officer of our Group, Ms. Chan Siu Yin is responsible for the overall planning and overseeing the daily administration of our Group and has a thorough understanding of the daily operations and internal administration of our Group. She was also the appointed secretary to the board of directors of Jiangsu Tailam during the period when Jiangsu Tailam was listed on the NEEQ. Ms. Chan Siu Yin has been actively involved in the proposed listing of our Company since its preparatory period for listing, hence she is familiar with the legal and Listing Rules' requirements and has been assisting our Board on governance matters. Ms. Chan also attended the training seminar regarding responsibility of directors of listed companies delivered by the legal advisers of our Company as to Hong Kong law to our Directors and senior management of our Company.

As such the following arrangements will be in place to facilitate such implementation:

- (a) for an initial period of three years from the Listing Date, Ms. Wong Sau Ping, who possesses the qualifications as required under Rule 3.28 of the Listing Rules, will act as a joint company secretary of our Company and provide assistance and guidance to Ms. Chan Siu Yin in the discharge of her duties as a joint company secretary and in gaining the relevant knowledge and experience as required under Rules 3.28 and 8.17 of the Listing Rules during this period. Given Ms. Wong Sau Ping's relevant experience as a company secretary, she will be able to provide necessary guidance, direction and support to Ms. Chan Siu Yin from time to time by way of training and to explain to both Ms. Chan Siu Yin and our Company the relevant provisions and requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Wong is expected to work closely with Ms. Chan Siu Yin and will maintain regular contact with Ms. Chan Siu Yin and the directors and senior management of our Company;
- (b) our Company will ensure that Ms. Chan Siu Yin has access to the relevant trainings and support to enable her to familiarise herself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Ms. Chan Siu Yin will also endeavour to familiarise herself with the Listing Rules during the three-year period from the Listing Date;
- (c) Ms. Chan Siu Yin will communicate regularly with Ms. Wong Sau Ping on matters relating to corporate governance, the Listing Rules as well as other applicable Hong Kong laws and regulations which are relevant to the operations and affairs of our Company. Ms. Chan Siu Yin will work closely with Ms. Wong Sau Ping in order to discharge her duties and responsibilities as a company secretary, including organising our Company's board meetings and shareholders' meeting;
- (d) pursuant to Rule 3.29 of the Listing Rules, both Ms. Chan Siu Yin and Ms. Wong Sau Ping will also attend in each financial year not less than 15 hours of relevant professional training courses to familiarise themselves with the requirements under the Listing Rules as well as other applicable Hong Kong laws and regulations;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) the waiver will be revoked immediately when Ms. Wong Sau Ping, during this period, ceases to provide assistance to Ms. Chan Siu Yin. Prior to the expiry of the initial three-year period of Ms. Wong Sau Ping's appointment, our Company will evaluate Ms. Chan's qualifications and experience to determine as to whether the requirements set out under Rules 3.28 and 8.17 of the Listing Rules are satisfied; and
- (f) prior to the expiration of the three-year waiver period, our Company will liaise with the Stock Exchange and assess whether Ms. Chan Siu Yin has acquired the relevant experience with the meaning of Rule 3.28 of the Listing Rules. Our Company should then be able to demonstrate to the Stock Exchange's satisfaction that, Ms. Chan Siu Yin, having had the benefit of Ms. Wong Sau Ping's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules such that a further waiver will not be necessary.

For further details on the profile of Ms. Chan Siu Yin, please refer to the sections headed "Directors and Senior Management — Senior Management" and "Directors and Senior Management — Joint Company Secretaries" in this prospectus.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. This waiver is valid for a period of three years from the Listing Date and will be revoked immediately if Ms. Wong Sau Ping ceases to provide assistance to Ms. Chan Siu Yin as a joint company secretary of our Company during the three years after the Listing Date.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all the reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Share Offer comprises the Public Offer of 7,900,000 Shares and the Placing of 71,100,000 Shares initially offered by our Company subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the Application Forms, and any information or representation in connection with the Share Offer not contained in this prospectus and the Application Forms must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applications under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Joint Bookrunners and the Joint Lead Managers. The Public Offer Shares are fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement and the Placing Offer Shares are expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and are subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

Further details about the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 11 December 2019 or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)). If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)), the Share Offer will not proceed and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Share Offer.

Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer and sales of the Offer Shares described in this prospectus. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of and to observe, all applicable laws, rules and regulations of any relevant jurisdiction.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARE WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong, and only securities registered on the Hong Kong register of members may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. No stamp duty is payable by applicants in the Share Offer. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to each Shareholder's registered address, or in the case of joint holders, the first-named holder.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 18 December 2019. The Shares will be traded in board lots of 2,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Translated English names of PRC natural persons, legal persons, governmental authorities and departments, institutions, facilities, certificates, titles and the like or any descriptions for which no official English translation exists are unofficial translations from their corresponding names in Chinese or another language and are included for identification purposes only. In the event of inconsistencies, the name(s) in Chinese or such other language shall prevail.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer 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, and/or dealing in the Shares or exercising their rights thereunder. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, the Shares for exercising any rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in RMB are translated into HK\$ at the rate of HK\$1 to RMB0.86. No representation is made that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

ROUNDING

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

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Ms. Wong Han Yu Alice (王嫻俞)	Unit 4501 Tower 2, Shimao Riveria Garden Lane 2, Wai Fang West Road New Pudong District Shanghai the PRC*	Chinese
Mr. Wong Chiu Wai (王朝緯)	Unit 45C Tower 3, Shimao Riveria Garden Lane 2, Wai Fang West Road New Pudong District Shanghai the PRC*	Chinese
Ms. Jiang Yin Juan (蔣銀娟)	Flat 1004 No. 485 North Qin Zhou Road Xuhui District Shanghai the PRC*	Chinese
<i>Non-executive Director</i>		
Mr. Wong Leung Yau (王良友)	Flat B, 51/F Tower 8, The Palazzo 28 Lok King Street Shatin New Territories Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Lai Chun Yu (黎振宇)	G/F 12 Hoi Pa Village North-East Terrace Tsuen Wan New Territories Hong Kong	Chinese
Mr. Cui Yu Shu (崔玉舒)	Room 201, Unit 3 Tower 7, Zhijiang Jiuli Hangzhou Zhejiang the PRC*	Chinese
Ms. Wong Siu Yin Rosella (黃小燕)	Flat 2, 11/F Block C, Causeway Centre 28 Harbour Road Wanchai Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

South China Capital Limited

*A licensed corporation to carry out type 6
(advising on corporate finance)
regulated activity under the SFO*
28/F, Bank of China Tower
No. 1, Garden Road
Central
Hong Kong

Joint Bookrunners

China Finance KAB Limited

*A licensed corporation to carry out type 1
(dealing in securities), type 2 (dealing in futures
contracts) and type 4 (advising on securities)
regulated activities under the SFO*
30/F, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Future Land Resources Securities Limited

*A licensed corporation to carry out type 1
(dealing in securities)
regulated activity under the SFO*
Flat B, 20th Floor
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan
Hong Kong

Brilliant Norton Securities Company Limited

*A licensed corporation to carry out type 1
(dealing in securities) and type 4
(advising on securities)
regulated activities under the SFO*
Suite 804, 8/F, Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Joint Lead Managers

China Finance KAB Limited

*A licensed corporation to carry out type 1
(dealing in securities), type 2 (dealing in futures
contracts) and type 4 (advising on securities)
regulated activities under the SFO*
30/F, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Future Land Resources Securities Limited

*A licensed corporation to carry out type 1
(dealing in securities)
regulated activity under the SFO*
Flat B, 20th Floor
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan
Hong Kong

Brilliant Norton Securities Company Limited

*A licensed corporation to carry out type 1
(dealing in securities) and type 4
(advising on securities)
regulated activities under the SFO*
Suite 804, 8/F, Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Alpha Financial Group Limited

*A licensed corporation to carry out type 1
(dealing in securities) and type 6
(advising on corporate finance)
regulated activities under the SFO*
Room A, 17/F, Fortune House
61 Connaught Road Central
Hong Kong

Luk Fook Securities (HK) Limited

*A licensed corporation to carry out type 1
(dealing in securities), type 4 (advising on securities)
and type 9 (asset management)
regulated activities under the SFO*
Units 2201-2207 & 2213-2214
22/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Sinomax Securities Limited

*A licensed corporation to carry out type 1
(dealing in securities), type 4 (advising on securities)
and type 9 (asset management)
regulated activities under the SFO*
Room 2705-6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

Legal advisers to our Company

As to Hong Kong law
Stephenson Harwood
18/F
United Centre
95 Queensway
Hong Kong

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CORPORATE INFORMATION

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Principal place of business in the PRC	Yuanbei Village Wangbao Town Qidong City Nantong Jiangsu Province the PRC*
Company's website	<u>www.tlpile.com</u> <i>(The information contained on this website does not form part of this prospectus)</i>
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CORPORATE INFORMATION

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Remuneration committee	<p>Ms. Wong Siu Yin Rosella (黃小燕) (<i>Chairperson</i>) Mr. Cui Yu Shu (崔玉舒) Ms. Wong Han Yu Alice (王嫻俞)</p>
Nomination committee	<p>Ms. Wong Han Yu Alice (王嫻俞) (<i>Chairperson</i>) Mr. Cui Yu Shu (崔玉舒) Ms. Wong Siu Yin Rosella (黃小燕)</p>
Compliance adviser	<p>South China Capital Limited <i>A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO</i> 28/F, Bank of China Tower 1 Garden Road Central Hong Kong</p>
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INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is not reliable, false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties (save for Frost & Sullivan) or any of our or their respective directors, senior management, representatives or any other person involved in the Share Offer have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information in making, or refraining from making any investment decision.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the concrete construction material industry in the PRC. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes construction, wholesale and retail trades, consumer products, automotive and transportation, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

We commissioned Frost & Sullivan for a total fee of RMB450,000 (equivalent to approximately HK\$526,000). Our Directors are of the view that the payment of such fee reflects market rates and does not affect the fairness of the conclusions drawn in the F&S Report.

F&S Report

Our Company has included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of the concrete construction material industry in the PRC with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the F&S Report are based on the following major assumptions at the time of compiling such reports:

- China's economy is likely to maintain steady growth in the next decade;
- China's social, economic, and political environment is likely to remain stable in the forecast period; and
- Market drivers such as increasing urbanisation, continuous investment in infrastructure, ongoing demand for commercial buildings will drive concrete construction material industry.

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information therein.

INDUSTRY OVERVIEW

OVERVIEW OF MACRO ECONOMY IN THE PRC

According to the International Monetary Fund (IMF), the nominal GDP in the PRC is forecast to keep growing at a CAGR of approximately 8.2% from 2019 to 2023 and would increase gently to approximately RMB133.5 trillion in 2023.

Output value of the construction industry in the PRC

The construction industry is one of the pillar industries in the PRC. With the continuous expansion of production and operation scale of China's construction industry, the output of construction industry in the PRC enjoyed a fast growth in recent years. From 2013 to 2018, the output value of construction industry in the PRC increased from approximately RMB16.0 trillion to RMB23.5 trillion, representing a CAGR of approximately 8.0%.

Due to urban-rural development and the construction of modernisation in the PRC, the output value of construction industry in the PRC is likely to maintain a steady growth. In the future, the output value of construction industry in the PRC is projected to amount to approximately RMB33.6 trillion by 2023, with a CAGR of approximately 7.0% from 2019.

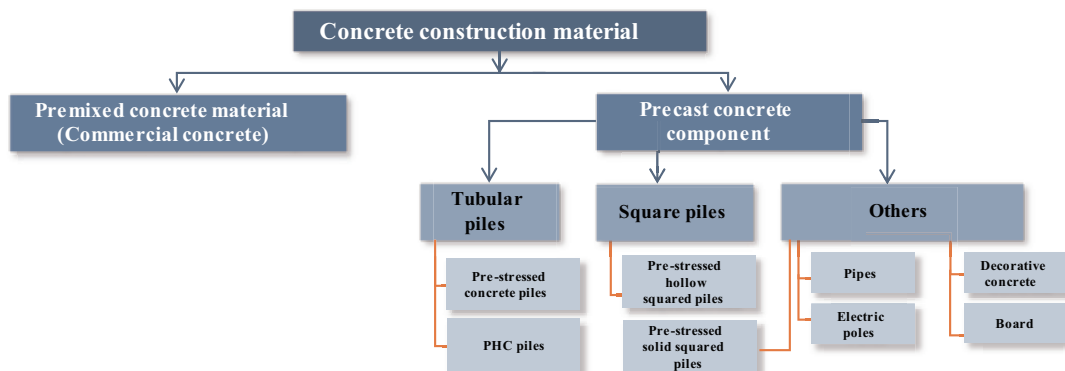
OVERVIEW OF THE CONCRETE CONSTRUCTION MATERIAL INDUSTRY IN THE PRC

Definition and classification

According to the current national economic industry classification and statistical calibre, combined with the status quo of the industry and product attributes, the concrete construction material industry is divided into two major sectors, namely premixed concrete material and precast concrete component.

Premixed concrete material also known as commercial concrete, is an industry characterised by centralised mixing and commercialised supply. It is composed of cement, aggregate, water and admixtures, and to be mixed in the centralised mixing plant. The commercial concrete does not include self-mixed concrete, which is mixed at the construction site.

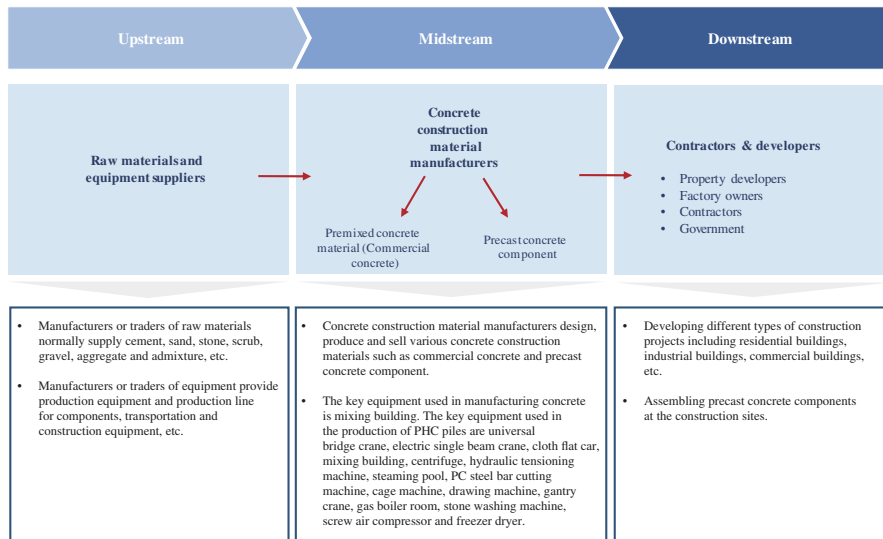
Precast concrete components are industrial products produced and processed in factories according to the requirements of different application fields and relevant product standards, including tubular piles, pipes (prestressed concrete cylinder pipe, drain pipe, box culverts), electric poles, board (calcium silicate/fibre cement board) and decorative concrete, etc.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

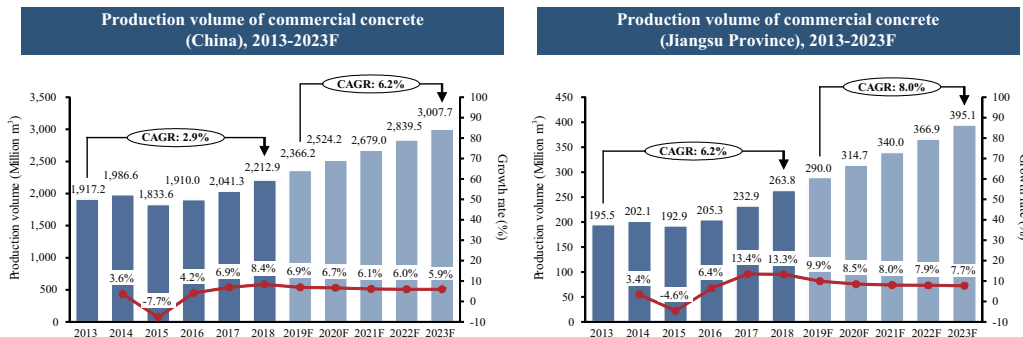
Value chain



Source: Frost & Sullivan

Production volume of commercial concrete

Production volume of commercial concrete in China and Jiangsu Province



Note: "F" denotes forecasted figure

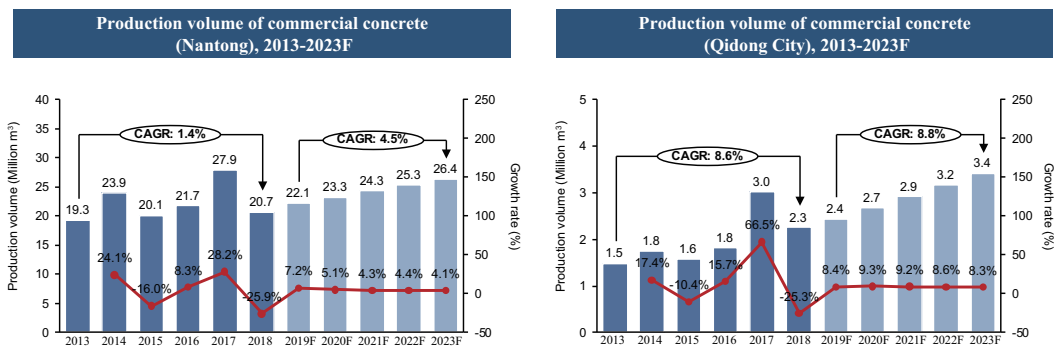
Source: Frost & Sullivan

As the downstream industries such as building construction and municipal engineering promoted the growth of commercial concrete consumption, the production volume of commercial concrete in China experienced a moderate growth from approximately 1,917.2 million m³ in 2013 to approximately 2,212.9 million m³ in 2018, representing a CAGR of approximately 2.9%. However, in the period of 2014 and 2015, the production volume of commercial concrete in the PRC has undergone a dramatic decrease by approximately 7.7%, mainly owing to construction industry atrophy, intensifying market competition, high receivables and increasing environmental protection pressure. With the recovery of real estate industry, the rapid growth of infrastructure investment and the implementation of national regional development strategies, the production volume of commercial concrete in the PRC is predicted to enjoy a growth from 2019, reaching approximately 3,007.7 million m³ by the end of 2023, with a CAGR of approximately 6.2% from 2019 to 2023.

INDUSTRY OVERVIEW

Due to the high level of economic development and accelerating process of industrialisation and urbanisation in Jiangsu Province, the production volume of commercial concrete in Jiangsu Province maintained a steady growth from approximately 195.5 million m³ in 2013 to approximately 263.8 million m³ in 2018, with a CAGR of approximately 6.2%. In 2015, the PRC Government dedicated to implement supply-side reforms regarding pollution treatment, industrial integration and structure upgrade in the commercial concrete industry of Jiangsu Province. Together with depressed real estate market, the production volume of commercial concrete decreased by approximately 4.6% in 2015. Going forward, due to increasing construction investment, green development model, (a model emphasised on saving resources and reducing pollutants which in turn could enhance production volume of commercial concrete by the reduction of generating waste during the process of manufacturing commercial concrete), popularisation of management technology, such as cost management and production management technology to enhance production efficiency and capacity, and the supportive policies such as “guidance on accelerating the development of green bulk cement industry during the 13th five-year plan period” 《關於「十三五」期間加快散裝水泥綠色產業發展的指導意見》, more construction projects are expected to be planned and accordingly, the production volume of commercial concrete in Jiangsu Province is expected to reach approximately 395.1 million m³ in 2023, with a CAGR of approximately 8.0% from 2019.

Production volume of commercial concrete in Nantong and Qidong City



Note: “F” denotes forecasted figure

Source: Frost & Sullivan

Nantong, situated in east China’s Jiangsu Province, is striving to become a pivot city to further push forward the integrated development of the Yangtze River Delta region. In recent years, Nantong is trying to lift its economic growth by building new infrastructure to link up with more established cities and economic regions, especially with Shanghai. Nantong spares no effort to build itself into the northern gate of neighboring Shanghai, a concept approved by the Jiangsu provincial government in 2017. As part of the plan, Nantong promotes the coordinated development and connectivity with Shanghai in fields such as transportation, industrial cooperation and innovation. For example, the construction of the Hutong Yangtze River Bridge, which is estimated to cost more than RMB36 billion, Hutong Railway and Ningqi Railway Phase II may help Nantong stimulate its economy. Besides, under the Jiangsu government’s strong support, Nantong is focusing on developing Tongzhou Bay area and making this area become a strategic pivot area in the Yangtze River Economic Belt, which will enhance Nantong’s capacity and performance in industrial development, urban construction and transportation. Recently, Nantong government has announced that they are striving to make Nantong a key city in Shanghai’s “One-hour Economic Rim” and this ambition must be supported by a number of major projects.

Qidong City, a county-level city under the administration of Nantong, plays an important role in Nantong’s expansion plan. Qidong City is located on the north side of the Yangtze River opposite Shanghai. Since December 2011, the Chongming–Qidong Yangtze River Bridge was formally opened to commercial traffic, making Qidong City situate in Shanghai’s “One-hour Economic Rim”. Leveraging on its geographic advantages, Qidong City has strengthened its

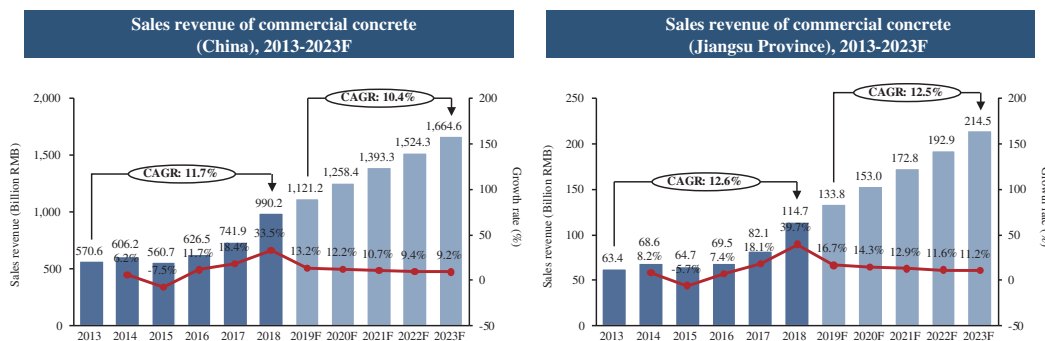
INDUSTRY OVERVIEW

regional economic cooperation with Shanghai. In recent years, Nantong and Qidong City accelerated the construction of industrial parks and introduced a number of large-scale enterprises from Shanghai, such as Huaфон Microfibre. Besides, Qidong City developed tourism industry vigorously and fostered the construction of infrastructure. Evergrande, the largest real estate developer in China, invested heavily in Qidong City’s infrastructure and coastline to reinvent the city as Shanghai’s weekend coastal getaway. Moreover, Qidong City properties are excluded from quota measures, meaning that customers can buy multiple units under a single name, which strongly support the development of real estate industry in Qidong City. The accelerated construction of large projects in the following years, such as railways, airports, theme parks and industrial parks, etc. in both Nantong and Qidong City is anticipated to stimulate the demand of commercial concrete in Nantong and Qidong City.

From 2013 to 2018, the production volume of commercial concrete in Nantong and Qidong City reached approximately 20.7 million m³ and 2.3 million m³, respectively, with a CAGR of approximately 1.4% and 8.6%, respectively. In 2015, as the real estate market in Nantong and Qidong City entered downturn, the indicators in construction industry such as the floor area of newly constructed buildings dropped down and the demand for commercial concrete in both Nantong and Qidong City decreased, resulting in the large decrease of commercial concrete production volume in both Nantong and Qidong City. In 2017, the production volume of commercial concrete in Nantong and Qidong City both experienced a substantial growth mainly due to the large increase of real estate investment in Nantong and Qidong City. However, in 2018, due to the tightening of enforcement on environmental protection by the local governments in Nantong and coupled with the unusual weather condition resulting in high concentration of air pollutants which forced large number of concrete mixing plants without qualifications to be closed by Nantong and Qidong government, the production volume of commercial concrete decreased. For further details, please refer to the paragraph headed “Competitive landscape of concrete construction material industry — Challenges — Unpredictable government policies” in this section. In the future, with the further strategic cooperation with Shanghai and the ongoing construction of large infrastructure projects in Nantong and Qidong City, the production volume of commercial concrete is expected to maintain stable growth, reaching approximately 26.4 million m³ and 3.4 million m³, respectively, with a CAGR of approximately 4.5% and 8.8%, respectively, in Nantong and Qidong City from 2019 to 2023.

Sales revenue of commercial concrete

Sales revenue of commercial concrete in China and Jiangsu Province



Note: “F” denotes forecasted figure
Source: Frost & Sullivan

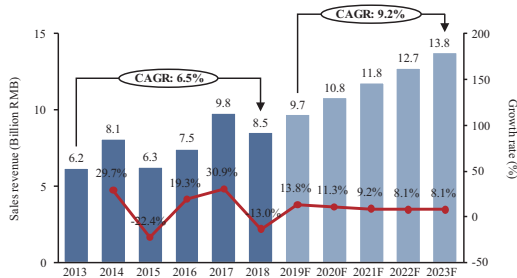
According to the F&S Report, as commercial concrete will harden over time, it cannot be kept as inventory and need to be transported to the construction site within around one hour (the economical transportation radius depends on traffic conditions and is generally between 30 km and 80 km). Thus, the sale volume of commercial concrete is equal to its production volume both in China and Jiangsu Province.

INDUSTRY OVERVIEW

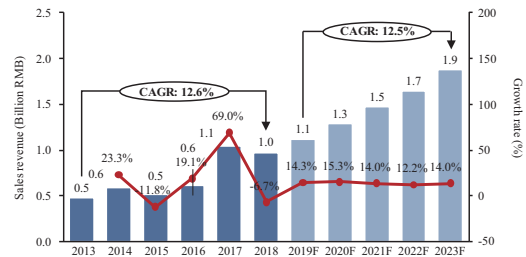
Over the period from 2013 to 2018, the sales revenue of commercial concrete in China and Jiangsu Province increased from approximately RMB570.6 billion and RMB63.4 billion, respectively, to approximately RMB990.2 billion and RMB114.7 billion, respectively, with a CAGR of approximately 11.7% and 12.6%, respectively. In 2023, the sales revenue of commercial concrete in China and Jiangsu Province is expected to reach approximately RMB1,664.6 billion and RMB214.5 billion, respectively, with a CAGR of approximately 10.4% and 12.5%, respectively from 2019 to 2023.

Sales revenue of commercial concrete in Nantong and Qidong City

**Sales revenue of commercial concrete
(Nantong), 2013-2023F**



**Sales revenue of commercial concrete
(Qidong City), 2013-2023F**

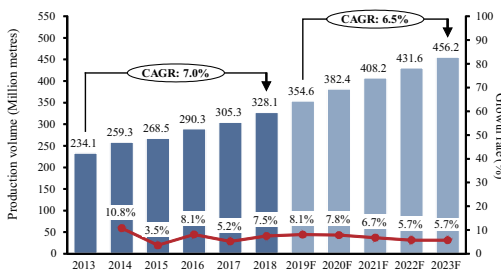


Note: "F" denotes forecasted figure
Source: Frost & Sullivan

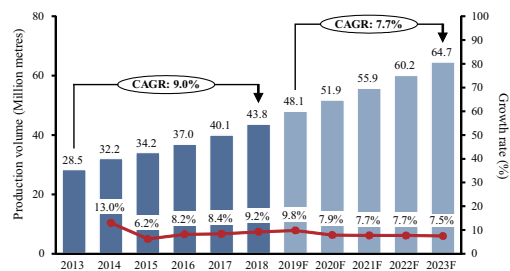
From 2013 to 2018, the sales revenue of commercial concrete in Nantong and Qidong City fluctuated. In 2015, as the real estate market in Nantong and Qidong City entered downturn, the indicators in construction industry such as the floor area of newly constructed buildings dropped down and the demand for commercial concrete in both Nantong and Qidong City decreased, resulting in the large decrease of commercial concrete sales revenue in both Nantong and Qidong City. In 2017, the sales revenue of commercial concrete in Nantong and Qidong City both experienced a substantial growth mainly due to the large increase of real estate investment and the production volume of commercial concrete. In 2018, due to the tightening of enforcement on environmental protection by the local governments in Nantong and coupled with the unusual weather condition which forced large number of concrete mining plants without qualifications forced to be closed, the production volume of commercial concrete decreased. For further details, please refer to the paragraph headed "Competitive landscape of concrete construction material industry — Challenges — Unpredictable government policies" in this section. In Nantong, the sales revenue of commercial concrete reached approximately RMB8.5 billion in 2018, with a CAGR of approximately 6.5% from 2013 to 2018. The sales revenue of commercial concrete in Qidong City reached approximately RMB1.0 billion in 2018, with a CAGR of approximately 12.6% from 2013 to 2018. In 2023, the sales revenue of commercial concrete in Nantong and Qidong City is anticipated to reach approximately RMB13.8 billion and RMB1.9 billion, with a CAGR of approximately 9.2% and 12.5% respectively from 2019 to 2023.

Production volume of PHC piles

Production volume of PHC pile (China), 2013-2023F



**Production volume of PHC pile
(Jiangsu Province), 2013-2023F**



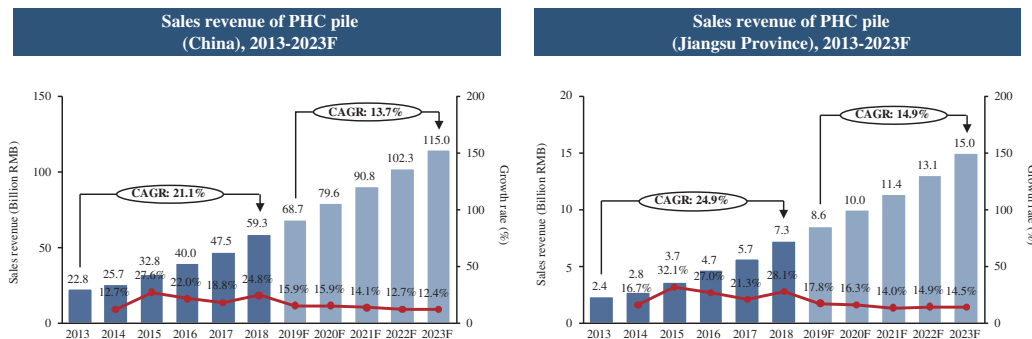
Note: "F" denotes forecasted figure
Source: Frost & Sullivan

INDUSTRY OVERVIEW

The compressive strength of PHC pile produced nowadays can reach more than 80 Megapascal (“Mpa”), while the compressive strength of pre-stressed concrete piles is between 60 Mpa to 80 Mpa. With growing real estate and infrastructure investment, improvement of manufacturing technology and diverse product specification expand the downstream application, the production volume of PHC pile in the PRC increased from approximately 234.1 million metres in 2013 to approximately 328.1 million metres in 2018, representing a CAGR of approximately 7.0%. In the forecast period from 2019 to 2023, the production volume is projected to maintain the solid growth with a CAGR of approximately 6.5%, reaching approximately 456.2 million metres in 2023. The production volume of PHC pile accounted for approximately 85.4% in 2018 and is expected to reach approximately 91.8% in 2023 of the total production volume of pre-stressed concrete pile in the PRC.

In 2013, the government in Jiangsu Province issued “guidance catalogue on structure adjustment of industry and information industry” 《江蘇省工業和信息產業結構調整指導目錄》，which referred to PHC pile industry, aiming to transform the mode of economic development and guide the rational allocation of social resources. Besides, the scale of construction industry in Jiangsu Province is in leading position of China and Jiangsu Province is the major production area of raw materials such as cement and concrete. Accordingly, the production volume of PHC pile in Jiangsu Province experienced a rapid growth with a CAGR of approximately 9.0%, from approximately 28.5 million metres in 2013 to approximately 43.8 million metres in 2018. From 2019, owing to green and sustainable development by reducing overcapacity and further industrial integration, the production volume of PHC pile in Jiangsu Province is expected to increase at a stable pace with a CAGR of approximately 7.7% from 2019 to 2023, reaching approximately 64.7 million metres in 2023. The production volume of PHC pile accounted for approximately 97.3% in 2018 and is expected to reach approximately 99.1% in 2023 of the total production volume of pre-stressed concrete pile in Jiangsu Province.

Sales revenue of PHC pile



Note: “F” denotes forecasted figure

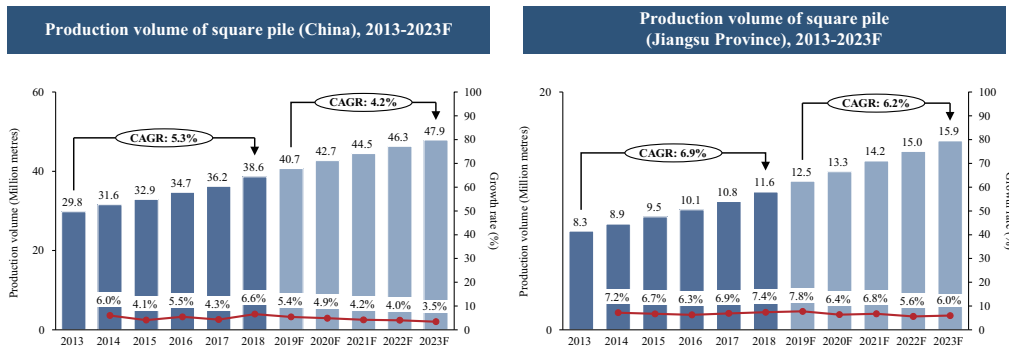
Source: Frost & Sullivan

As most manufactures produce PHC piles in accordance with orders from their customers and the inventory is relatively low, the sale volume of PHC pile is very close to its production volume both in China and Jiangsu Province.

Over the period from 2013 to 2018, the sales revenue of PHC pile in China and Jiangsu Province increased from approximately RMB22.8 billion and RMB2.4 billion, respectively, to approximately RMB59.3 billion and RMB7.3 billion, respectively, with a CAGR of approximately 21.1% and 24.9%, respectively. In 2023, the sales revenue of PHC pile in China and Jiangsu Province is expected to reach approximately RMB115.0 billion and RMB15.0 billion, respectively, with a CAGR of approximately 13.7% and 14.9%, respectively, from 2019 to 2023.

INDUSTRY OVERVIEW

Production volume of square pile

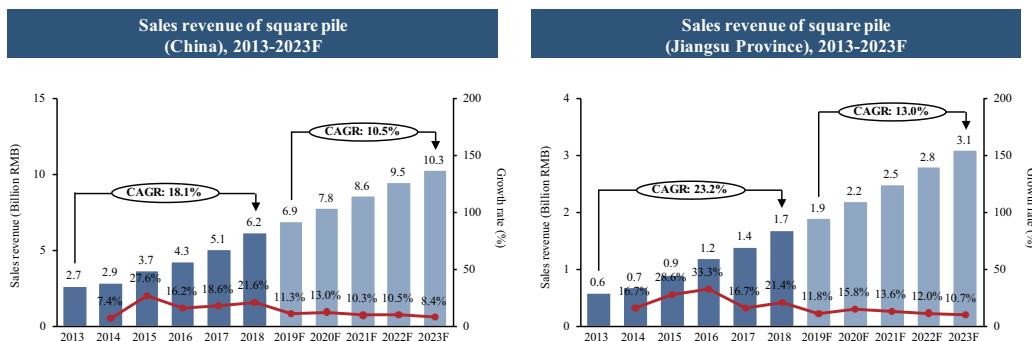


Note: "F" denotes forecasted figure
Source: Frost & Sullivan

A square pile is very similar to a PHC pile, but with a cross section that is a square, as opposed to the tubular appearance of a PHC pile. The production process of a square pile is also very similar to a PHC pile, and mainly involves the use of different moulds and centrifuge. Besides, the raw materials of square piles are similar to PHC piles and PHC piles and square piles have quite similar customer base. With the growth of real estate development investment and increasing application in soft foundation, the production volume of square pile in China increased from approximately 29.8 million metres in 2013 to approximately 38.6 million metres in 2018, representing a CAGR of approximately 5.3%. In the forecast period from 2019 to 2023, the production volume is projected to maintain the solid growth with a CAGR of approximately 4.2%, reaching approximately 47.9 million metres in 2023.

In 2017, the government of Jiangsu Province issued "Technical Specification for Pre-stressed Concrete Square Pile Foundation" 《預應力混凝土空心方樁基礎技術規程》, which standardised the process of production and application of square piles in Jiangsu Province, and encouraged the development of square piles. Accordingly, the production volume of square pile in Jiangsu Province experienced a rapid growth with a CAGR of approximately 6.9%, from approximately 8.3 million metres in 2013 to approximately 11.6 million metres in 2018. From 2019, owing to the promotion of new technologies, the continuous introduction of modern production lines, the production volume of square pile in Jiangsu Province is expected to increase at a stable pace with a CAGR of approximately 6.2% from 2019 to 2023, reaching approximately 15.9 million metres in 2023.

Sales revenue of square pile



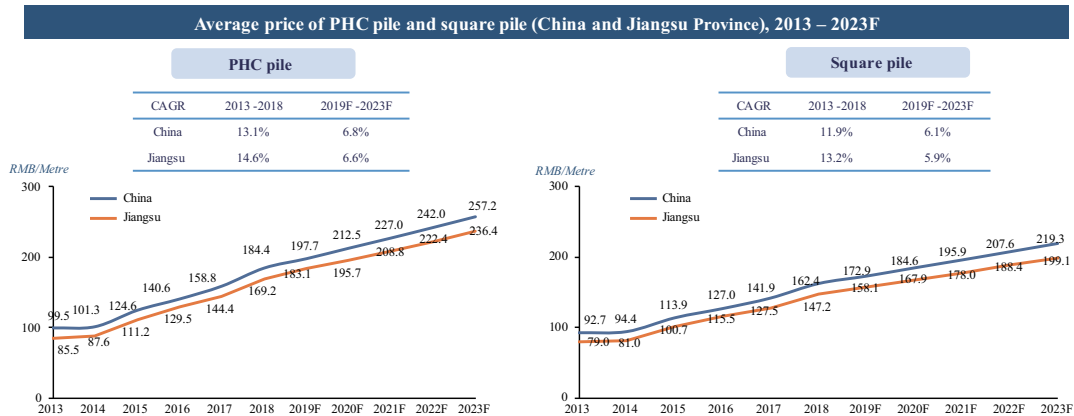
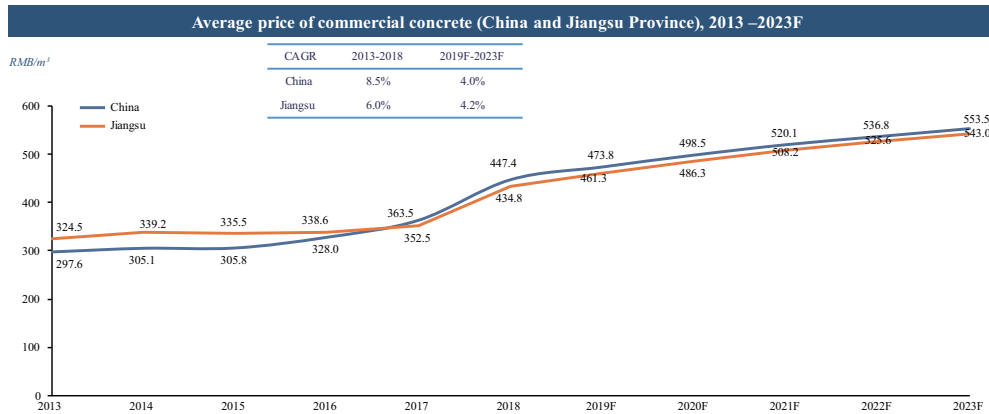
Note: "F" denotes forecasted figure
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Similar to PHC piles, as most manufactures produce square piles in accordance with orders from their customers and the inventory is very low, the sale volume of square piles is very close to its production volume both in China and Jiangsu Province.

Over the period from 2013 to 2018, the sales revenue of square pile in China and Jiangsu Province increased from approximately RMB2.7 billion and RMB0.6 billion, respectively, to approximately RMB6.2 billion and RMB1.7 billion, respectively, with a CAGR of approximately 18.1% and 23.2%, respectively. In 2023, the sales revenue of square pile in China and Jiangsu Province is expected to reach approximately RMB10.3 billion and RMB3.1 billion, respectively, with a CAGR of approximately 10.5% and 13.0%, respectively from 2019 to 2023.

Average selling price trend for markets of commercial concrete, PHC pile and square pile



Notes:

1. "F" denotes forecasted figure
2. Average selling price excluded value added tax (VAT)

Source: Frost & Sullivan

Over the period from 2013 to 2018, the average selling price of commercial concrete in China has demonstrated an upward trend from approximately RMB297.6 per m³ in 2013 to approximately RMB447.4 per m³ in 2018, with a CAGR of approximately 8.5%. In 2018, the price of commercial concrete surged mainly due to the substantial increase of commercial concrete's raw material price, such as cement and sand. In Jiangsu Province, the average selling price of commercial concrete shows a similar trend with the average price in China, reaching approximately RMB434.8 per m³ in 2018 and is expected to reach approximately RMB543.0 per m³ in 2023.

INDUSTRY OVERVIEW

Due to the rise of raw material prices such as the cement and steel, the average selling price of PHC pile in China increased from approximately RMB99.5 per metre in 2013 to approximately RMB184.4 per metre in 2018, with a CAGR of approximately 13.1% from 2013 to 2018. From 2019, owing to the increase of labour cost, and the demand from construction industry, the average selling price of PHC pile in China is expected to reach approximately RMB257.2 per metre in 2023. In Jiangsu Province, due to the relatively intense market competition, the average selling price of PHC pile is generally lower than the average price in China. However, the average selling price in Jiangsu Province exhibits the similar trend with the average price in China. It increased from approximately RMB85.5 per metre in 2013 to approximately RMB169.2 per metre in 2018, with a CAGR of approximately 14.6% and it is expected to reach approximately RMB236.4 per metre in 2023.

With the rapid development of the real estate industry, the demand for square pile in China's market has increased continuously. The average selling price of square pile in China increased from approximately RMB92.7 per metre in 2013 to approximately RMB162.4 per metre in 2018, with a CAGR of approximately 11.9%. From 2019, with the growing real estate and infrastructure investment, the average selling price of square pile is expected to reach approximately RMB219.3 per metre in 2019. In Jiangsu Province, the average selling price of square pile shows a similar trend with the average selling price in China. It increased from approximately RMB79.0 per metre in 2013 to approximately RMB147.2 per metre in 2018, with a CAGR of approximately 13.2%, and it is expected to reach approximately RMB199.1 per metre in 2023.

Market drivers of the concrete construction materials industry in the PRC

Favourable regulations and policies

In recent years, the release of several national policies promoted the development concrete construction material industry, especially the segment of commercial concrete. For example, since 2003, policies and measures, such as *Notice on the deadline for the banning of on-site mixing concrete in urban areas* (關於限期禁止在城市城區現場攪拌混凝土的通知), have been issued to prohibit on-site mix of concrete and vigorously promote the use of commercial concrete. The commercialisation rate of concrete increased from 18% in 2006 to 42% in 2013 and is expected to reach 65% by 2020. In addition, according to *13th five-year plan for the development of the construction industry* issued in 2017, construction industry will shift from the traditional production mode to the prefabricated construction mode. Accordingly, favourable regulations and policies is the one of the major drivers for developing concrete construction material industry.

Ongoing expanding investment in infrastructure and real estate

Along with a series of national regional development strategies such as the integration of the Beijing-Tianjin-Hebei region, the Yangtze river economic belt construction, construction of Zhongyuan urban agglomeration, a new round of the implementation of the northeast revitalisation, the PRC Government continued to develop large-scale infrastructure projects. Such developments are part of China's regional development strategy which aims to promote the coordinated regional development. The guiding principle of this strategy is to encourage the prior development of some areas and drives economy in other areas in close proximity achieve common development. The implementation of these national regional development strategies drives the capital growth of infrastructure investment at national level, so as to bring opportunities to related industry of the regions mentioned above. Therefore, the development of other areas drives the development of the Yangtze River Delta so as to Nantong, which located on the northern bank of the Yangtze River. Therefore, the fixed asset investment on infrastructure reached approximately

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RMB18.0 trillion in 2018, representing a CAGR of approximately 13.9% from 2013 to 2018. Meanwhile, with the further development of real estate market, the investment on real estate grew from approximately RMB8.6 trillion in 2013 to approximately RMB12.0 trillion in 2018, with a CAGR of approximately 6.9%. Due to the capital growth of infrastructure investment and the implementation of national regional development strategies, the utilisation of PHC piles and concrete are predicted to maintain the solid growth.

Promotion from fabricated construction market

Since 2016, the PRC Government has proposed to promote fabricated buildings, set up national fabricated construction production bases and strive to make fabricated buildings account for 30% of new buildings in around ten years. At present, fabricated construction market has already moved from the pilot demonstration to the comprehensive promotion stage, greatly accelerating the development of concrete construction material industry. As PHC piles and commercial concrete are the building block and ancillary construction material of fabricated buildings, the development of fabricated construction market will increase the demand for concrete construction material, while higher standards and quality requirements of concrete products will be requested and more advanced technologies and production processes will be applied.

COMPETITIVE LANDSCAPE OF CONCRETE CONSTRUCTION MATERIAL INDUSTRY

Ranking of commercial concrete manufactures in Jiangsu Province and Nantong

Market share of commercial concrete manufacturers by production volume and sales revenue (Jiangsu Province), 2018						Market share of commercial concrete manufacturers by production volume and sales revenue (Nantong), 2018					
Ranking	Company	Production volume (Million m ³)	Sales revenue (Billion RMB)	Market share in terms of production volume (%)	Market share in terms of sales revenue (%)	Ranking	Company	Production volume (Million m ³)	Sales revenue (Billion RMB)	Market share in terms of production volume (%)	Market share in terms of sales revenue (%)
1	Company A	8.7	3.8	3.3%	3.3%	1	Company F	2.0	0.8	9.7%	9.4%
2	Company B	3.8	1.6	1.4%	1.4%	2	Company G	1.3	0.5	6.3%	5.7%
3	Company C	3.4	1.4	1.3%	1.3%	3	Company H	1.1	0.5	5.3%	5.3%
4	Company D	3.1	1.3	1.2%	1.2%	4	Company I	0.9	0.4	4.3%	5.2%
5	Company E	3.1	1.3	1.2%	1.1%	5	Company J	0.8	0.3	3.9%	3.6%
Top 5 market players		22.1	9.5	8.4%	8.3%	Top 5 market players		6.2	2.5	29.5%	29.2%
Others		241.7	105.2	91.6%	91.7%	Others		14.5	6.0	70.5%	70.8%

Source: Frost & Sullivan

In Jiangsu Province, there are more than 900 commercial concrete manufacturers, accounting for approximately 8.0% of total number in China. The commercial concrete industry in Jiangsu Province was very fragmented, with top five market players accounting for around 8.4% and 8.3% of the total production volume and sales revenue, respectively, in Jiangsu Province in 2018. In 2018, our Group had a market share of approximately 0.1% and 0.2% in Jiangsu Province in terms of commercial concrete production volume and sales revenue, respectively.

In Nantong, there are more than 80 commercial concrete manufacturers. The commercial concrete industry in Nantong was fragmented, with top five market players accounting for around 29.5% and 29.2% of total production volume and sales revenue, respectively, in Nantong in 2018. In 2018, our Group had a market share of 1.6% and 2.6% in Nantong in terms of commercial concrete production volume and sales revenue, respectively.

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Ranking of PHC pile manufactures in Jiangsu Province and Nantong

Market share of PHC pile manufacturers by production volume and sales revenue (Jiangsu Province), 2018

Ranking	Company	Production volume (Million metres)	Sales revenue (Billion RMB)	Market share in terms of production volume (%)	Market share in terms of sales revenue (%)
1	Company K	14.8	2.5	33.8%	34.8%
2	Company L	7.8	1.3	17.8%	18.4%
3	Company M	5.0	0.8	11.4%	11.3%
4	Company N	4.1	0.7	9.4%	9.2%
5	Company O	3.7	0.6	8.4%	8.6%
6	Our Group	1.2	0.2	2.7%	3.2%
Top 6 market players		36.5	6.2	83.6%	85.5%
Others		7.3	1.1	16.4%	14.5%

Market share of PHC pile manufacturers by production volume and sales revenue (Nantong), 2018

Ranking	Company	Production volume (Million metres)	Sales revenue (Billion RMB)	Market share in terms of production volume (%)	Market share in terms of sales revenue (%)
1	Company K	8.0	1.4	47.1%	47.3%
2	Company N	4.1	0.7	24.1%	23.7%
3	Company O	3.7	0.7	21.8%	21.4%
4	Our Group	1.2	0.2	7.1%	7.6%
Total		17.0	3.0	100.0%	100.0%

Source: Frost & Sullivan

In Jiangsu Province, there are more than 40 PHC pile manufacturers. The PHC pile industry in Jiangsu Province was very concentrated, with top six market players accounting for around 83.6% and 85.5% of total production volume and sales revenue, respectively, in Jiangsu Province in 2018. In 2018, our Group ranked sixth and had a market share of approximately 2.7% and 3.2% in Jiangsu Province in terms of PHC pile production volume and sales revenue, respectively.

In Nantong, there are four PHC pile manufacturers. The PHC pile industry in Nantong was very concentrated. Our Group took a market share of approximately 7.1% and 7.6% in Nantong in terms of PHC pile production volume and sales revenue, respectively. Our Group is the only PHC pile manufacture in Qidong City, Nantong.

Ranking of square pile manufacturers in Jiangsu Province

Market share of square pile manufacturers by production volume and sales revenue (Jiangsu Province), 2018

Ranking	Company	Production volume (Million metres)	Sales revenue (Billion RMB)	Market share in terms of production volume (%)	Market share in terms of sales revenue (%)
1	Company K	3.2	0.5	27.6%	29.1%
2	Company P	2.4	0.4	20.7%	22.0%
3	Company Q	1.6	0.2	13.8%	14.4%
4	Company L	1.3	0.2	11.2%	11.6%
5	Company R	1.1	0.2	9.5%	10.3%
Top 5 market players		9.6	1.5	82.8%	87.4%
Others		2.0	0.2	17.2%	12.6%

Source: Frost & Sullivan

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In Jiangsu Province, there are more than 10 square pile manufacturers and the square pile industry was very concentrated, with top five market players accounting for approximately 82.8% and 87.4% of total production volume and sales revenue, respectively, in Jiangsu Province in 2018. According to the F&S Report, competitive landscape of the square pile industry in Nantong was not currently available.

Entry barriers

Access threshold

The performance and quality of concrete construction material directly affect the building, environment and even the safety of life and property. At present, most provinces and cities in China have established market access threshold for building material products and licence of construction product. New entrants must first pass the strict examination and verification of products performance and quality before it can obtain the corresponding access qualification. To some extent, the implementation of these market access systems has raised the entry barriers of concrete construction material industry, which requires enterprises to reasonably set up quality inspection departments, build qualified supplier information base, and establish a sound quality control system. Enterprises need to invest a lot in human resources, materials and capital. Therefore, it is relatively difficult for the new entrants to obtain the industry access qualification compared to the large ones.

Scale of operation

Depending on the economies of scale, larger concrete construction material enterprises have stronger bargaining power with suppliers to reduce procurement costs and guarantee sufficient supply. Meanwhile, due to the larger scale of operation, these enterprises have relatively stable commodity turnover and more flexible cashflow. In contrast, it is difficult for the new entrants to take these advantages.

Capital investment

Concrete construction material enterprises require a large amount of initial capital investment in plant construction, rent, production equipment, raw materials, transportation, employees, etc. Furthermore, due to relatively flexible and longer payment term in the concrete construction material industry, the concrete construction material enterprises generally need to have sufficient cashflow to ensure their production. Accordingly, it is crucial for new entrants to have adequate capital investment.

Customer relationship & project experience

The downstream customers of concrete construction material industry mainly include construction units, real estate developers, municipal construction departments, etc. These downstream customers prefer concrete construction material enterprises with extensive project experiences and proven track records and tend to build long-term relationships with experienced concrete construction material enterprises. New entrants will meet great challenges in obtaining good reputation and customer bases in the short term.

Future opportunities

Automated and intellectualised manufacturing

In order to reduce production costs and improve capacity utilisation, new production and management technologies will be continuously applied in the production of concrete construction material. Automated and intellectualised manufacturing is one of the major features in concrete construction material industry in the future. For example, as the digital factory system is applied to the production lines, all aspects of production process including raw material procurement, design, production, planning, logistics, costs and construction can be systematically managed through convenient and efficient data processing, leading to great improvement in production process, production arrangement, cost control, personnel management and product qualities. Thus, in the future, the concrete construction material production line is also expected to utilise big data, cloud computing and Internet of things (“IoT”) techniques and incorporate the concept of industrial informatisation and intelligent manufacturing, so as to achieve the overall optimisation of manufacturing process and improvement of production efficiency.

Integration of value chain

In order to solve the problem of raw material quality and supply assurance and meet diversified needs from downstream customers, large concrete construction material enterprises in China are encouraged to extend their industrial chain to sand, aggregate and dry mixed mortar business and develop value-added concrete products. Meanwhile, in this competitive market, concrete construction material enterprises will not only play a role as the concrete material suppliers, but also as concrete engineering service providers. In the future, more and more large concrete construction material enterprises are likely to integrate production with raw material supply and concrete engineering consulting services so as to achieve a complete portfolio of value chain and develop core competitiveness.

Numerous infrastructure projects in Nantong

According to “Nantong’s Overall Plan of Building as a Gateway City in the North Wing of Shanghai Metropolis” 《南通建設上海大都市北翼門戶城市總體方案》 issued by Jiangsu government in 2017, Nantong will speed up the construction of major infrastructure such as the Hutong Railway Yangtze River Bridge, Hutong Railway and Ningqi Railway Phase II, and actively carry out the preliminary work of the North Yanjiang Railway, Tongsujia Intercity Railway and Chonghai Passage, and promote the integrated development of Nantong Jianghai Port. Driven by these numerous infrastructure projects, Nantong’s concrete construction material industry witnessing a flourish development and growth, bringing opportunities for the concrete construction material companies.

More environmentally friendly

In response to the government’s strict environmental protection policies, technological innovation will continuously be applied in the production process of concrete construction materials in the future. Under the trend of technological innovation, the production process of concrete construction materials will get upgraded. For example, in order to reduce dust pollution, natural gas will gradually replace coal as the main heating fuel. Moreover, reducing the application of steam in the production process of concrete construction materials can also reduce the usage of boilers, thereby reducing dust pollution.

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Challenges

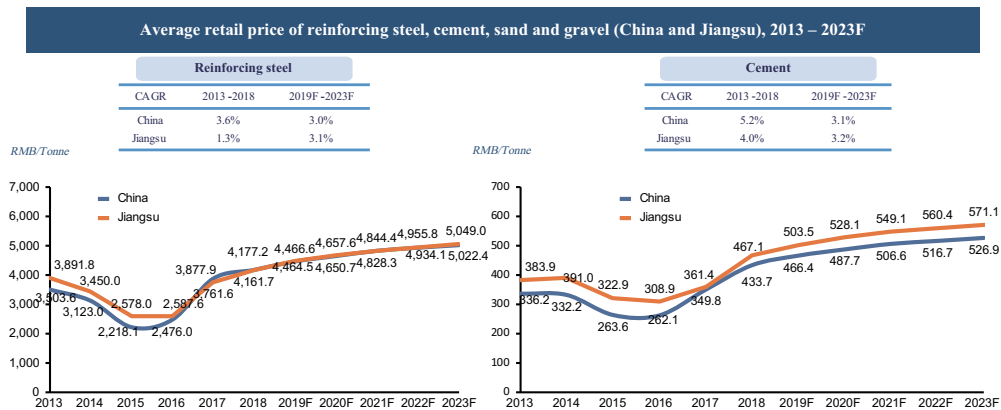
Fluctuation of raw material price

Due to the implementation of strict environmental protection policies such as (i) “The sole rectification of Yangtze river trunk line environmental protection (長江幹線專項整治工作)”, “Guidance on Accelerating the Development of Green Bulk Cement Industry during the 13th Five-year Plan Period (關於「十三五」期間加快散裝水泥綠色產業發展的指導意見)”; (ii) “Sand Mining Plan for the Main Stream of the Middle and Lower Reaches of the Yangtze River (2016-2020)” (長江中下游幹流河道採砂規劃(2016-2020年)) and the “Notice on Launching the National Special Rectification Action for Sand Mining in Rivers and Lakes” (關於開展全國河湖採砂專項整治行動的通知) issued by the Ministry of Water Resources which specified the scope of forbidden mining areas and further strengthened the management of sand mining in rivers and lakes; and (iii) the “Interpretation of Several Issues Concerning the Application of Law in Criminal Cases of Illegal Mining and Destructive Mining” 《關於辦理非法採礦、破壞性採礦刑事案件適用法律若干問題的解釋》 issued by Supreme People’s Court to crack down on illegal sand mining, the supply of main raw materials in concrete construction material industry, such as sandstone, cement, etc., were closely regulated and monitored, causing the shut down of certain small suppliers. Accordingly, this led to a sluggish supply to satisfy demand for such raw materials, resulting in large fluctuations in price. On the other hand, in order to maintain the long-term cooperation with downstream customers in this competitive and fragmented market, concrete construction material enterprises cannot easily increase price to transfer rising cost to their customers. Therefore, with the fluctuation of raw material price, construction material enterprises are likely to meet the challenge of profitability in the short term.

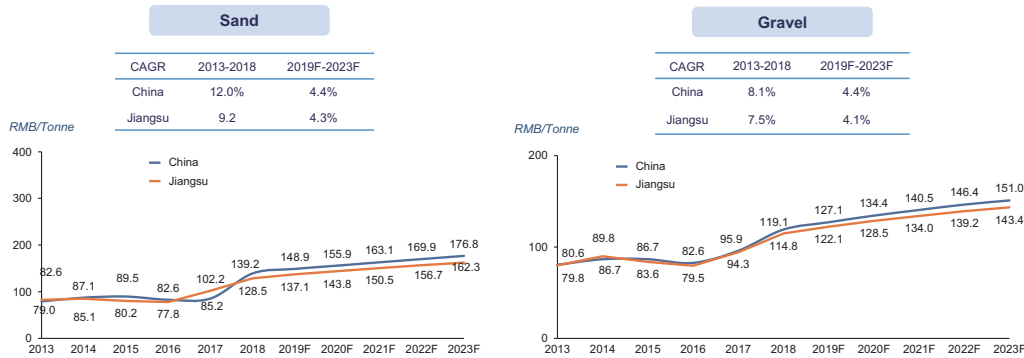
Unpredictable government policies

The local governments in Nantong tightened their enforcement of environmental protection law as a matter of national policy, resulting in the slowdown of construction activities as the construction companies need to rectify any breaches of environmental protection law identified by the relevant authorities before they can continue the construction works, affecting the demand for commercial concrete in such area in 2018. In addition, in 2018, due to unusual weather condition resulting in high concentration of air pollutants, large number of concrete mixing plants without qualifications were forced to be closed by Qidong government, resulting in the decrease of production volume of commercial concrete in both Qidong City and Nantong in 2018.

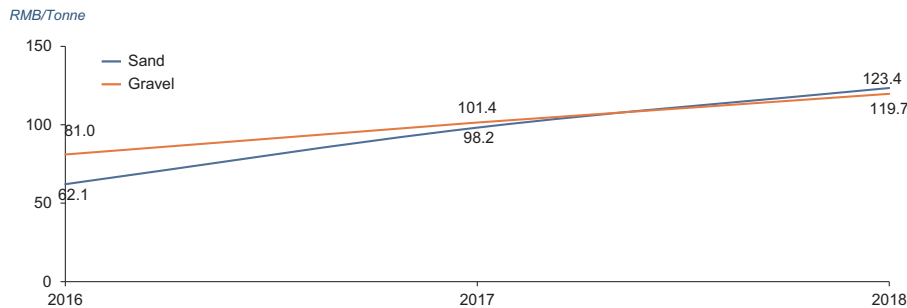
HISTORICAL PRICE TRENDS OF KEY RAW MATERIALS



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Average retail price of sand and gravel (Qidong City), 2016 – 2018



Note: "F" denotes forecasted figure
Source: Frost & Sullivan

Steel and cement are two major raw materials used in concrete construction material industry in the PRC. Due to the excess production capacity and decreasing demand from the downstream in iron and steel industry, the average price of reinforcing steel experienced a huge drop from 2014 to 2015. With the gradual recovery in iron and steel industry, the average price of reinforcing steel rose slightly from approximately RMB2,218.1 per tonne in 2015 to approximately RMB4,177.2 per tonne in 2018.

Over the period from 2013 to 2016, the price of cement has demonstrated an overall downtrend from approximately RMB336.2 per tonne in 2013 to approximately RMB262.1 per tonne in 2016. After that, the price of cement grew to approximately RMB433.7 per tonne in 2018, with a CAGR of approximately 5.2% from 2013 to 2018. In the future, the prices of reinforcing steel and cement are expected to increase, reaching approximately RMB5,022.4 per tonne and RMB526.9 per tonne, respectively, in 2023.

In 2016, the PRC Government shut down illegal quarries and sand quarries; the CPC Central Committee and the State Council carried out two rounds of central environmental protection supervision successively. Unconventional enterprises stopped production and illegal enterprises were cleared, and sand and gravels markets in some areas even fell into a situation of shortage of supply. Accordingly, the average price of raw materials in construction material industry experienced an upward trend because unit cost of sand and gravels had been on an industry trend. Besides, the shortage of raw materials and their increasing price posed much higher cost pressures on PHC pile and commercial concrete manufacturers. In 2018, the average prices of sand and gravel reached approximately RMB139.2 per tonne and RMB119.1 per tonne respectively. In the future, the average prices of sand and gravel are expected to increase, reaching approximately RMB176.8 per tonne and RMB151.0 per tonne, respectively, in 2023. Retail prices of sand and gravel are quite different in a particular region. In general, the average retail price of sand in Qidong City are lower than the average prices in the PRC and the Jiangsu Province, while the average retail price of gravel in Qidong City is slightly higher than the price in the PRC and the Jiangsu Province.

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This section summarises the principal PRC laws and regulations which are relevant to our business and operations. These include the laws and regulations relating to our PHC pile and commercial concrete production and sales in the PRC and the relevant environmental protection, taxation, labour and foreign exchange laws and regulations. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

I. THE PHC PILES AND CONCRETE INDUSTRY

Industry policy

The “Interim Provisions on Promoting Industrial Structure Adjustment” (促進產業結構調整暫定規定) was promulgated by the State Council on 2 December 2005 with effect on the same day, and the “Guiding Catalogue of Industrial Structure Adjustment (2011)” (產業結構調整指導目錄(2011)) (collectively, “**Industrial Structure Adjustment Provisions**”) was promulgated by the National Development and Reform Commission, or NDRC on 27 March 2011 and revised on 16 February 2013 and with effect on 1 May 2013. The “Guiding Catalogue of Industrial Structure Adjustment” is composed of three categories of industries, namely, the encouraged category, the restricted category and the eliminated category. The industries not belonging to the encouraged category, the restricted category or the eliminated category, but conforming to the relevant laws, regulations and policies of the state, shall belong to the permitted category. The permitted category shall not be listed into the “Guidance Catalogue of Industrial Structure Adjustment”.

The new investments project under the restricted category shall be prohibited. The investment administrative department shall not examine, approve, ratify or archive the projects under the restricted category. No financial institution shall grant loans for such projects, and no administrative department of land administration, urban planning, construction, environmental protection, quality inspection, fire prevention, customs, or industry and commerce, etc. shall handle the relevant procedures for such projects. In case of any violation of the provisions to carry out construction based on investment or financing, the relevant entities and persons shall be subject to liabilities. With respect to the existing production capacities under the restricted category, the enterprises shall be allowed to, within a certain period, take measures to transform or upgrade themselves, and the financial institutions shall, in compliance with the credit principles, continue providing supports. The relevant administrative department of the state shall, when required by industrial structure optimisation and upgrading, comply with the principle of selecting the superior and eliminating the inferior and provide classified guidance.

All investments after the effective of the Industrial Structure Adjustment Provisions in the eliminated category are prohibited. All regions, departments and enterprises concerned shall adopt strong measures to eliminate the prescribed production technology, equipment and products within a prescribed timeframe. For enterprises which fail to do so, the local people’s governments at all levels and the competent authorities shall order suspension or closure in accordance with relevant PRC laws and regulations. If the products of such enterprises are regulated under the production permit system, the competent authorities shall revoke the production permits in accordance with the law. The industry and commerce administration shall supervise and urge the enterprises to undergo procedures for modification or cancellation of their registration in accordance with the law. The

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environmental protection and management authorities shall revoke the discharge licences of such enterprises. If the relevant requirement is not fulfilled, the person with direct responsibilities and the related leadership shall be pursued for liability.

Since our business does not belong to the encouraged category, the restricted category nor the eliminated category, our business shall be listed into the permitted category.

Bulk cement

Pursuant to the “Guidance on Accelerating the Development of Green Bulk Cement Industry During the 13th Five-year Plan Period” (關於「十三五」期間加快散裝水泥綠色產業發展的指導意見), promulgated by the Ministry of Commerce on 19 September 2016 and with effect on the same day, it aims to accelerate the establishment of a green industrial system of premixed concrete, premixed mortar, and cement, which is at the core of the bulk cement application. Meanwhile, the development purpose is to reach 65% for the national bulk cement rate and roughly 1.8 billion m³ for the usage of the pre-mixed concrete at the year of 2020.

PHC piles

Pursuant to the “Pretensioned Spun Concrete Piles” (先張法預應力混凝土管樁) (GB/T 13476-2009), issued by General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China and Standardization Administration of the People’s Republic of China on 25 March 2009 and effective from 1 March 2010, standards specifically for pretensioned spun concrete piles are made.

Pursuant to the “Jiangsu Prestressed Concrete Piles” (江蘇預應力混凝土管樁) (Su G03-2012), approved by the Department of Housing and Urban-Rural Development of Jiangsu Province on 25 June 2012 and effective from 1 August 2012, the standards for the production of the PHC piles in Jiangsu Province are made.

Pursuant to the “National Standard for Premixed Concrete” (預拌混凝土) (GB/T 14902-2012), issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Standardisation Administration of the People’s Republic of China and published by Standards Press of China on 31 December 2012 and effective since 1 September 2013, standards are made for the production and acceptance of premixed concrete.

Pursuant to the “Technical specification for prestressed concrete pipe pile foundation” (預應力混凝土管樁基礎技術規程) (DGJ32/TJ 109-2010), promulgated by the Jiangsu Housing and Urban-Rural Development Department on 22 October 2010 and effective from 1 January 2011, standards for fabrication, construction and acceptance of prestressed concrete tubular piles is provided in Jiangsu Province.

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Pursuant to the “Code for Acceptance of Constructional Quality of Concrete Structures” (混凝土結構工程施工質量驗收規範) (GB50204-2015), promulgated by the MOHURD on 31 December 2014 and effective from 1 September 2015, the engineering of industrial, civil and general concrete structures, including cast-in-situ concrete structures and precast concrete structures is regulated.

Pursuant to the “Technical Standard for Prestressed Concrete Tubular Pile” (預應力混凝土管樁技術標準) (JGJ/T406-2017), promulgated by the MOHURD, on 23 August 2017 and effective from 1 February 2018, detailed requirements for production of prestressed concrete tubular pile is listed.

Pursuant to the “Notice on the Deadline for the Banning of On-site Mixing Concrete in Urban Areas” (關於限期禁止在城市城區現場攪拌混凝土的通知) (商改發[2003] 341號), promulgated by the Ministry of Commerce on 16 October 2003, 124 cities including Beijing, on-site concrete mixing has been banned since 31 December 2003, and cities in other provinces (autonomous regions) have banned on-site concrete mixing since 31 December 2005. Nantong is one of the 124 cities on the lists.

Pursuant to the “Standard Quality Control of Concrete” (混凝土質量控制標準) (GB 50164-2011), issued by General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China and MOHURD on 2 April 2011 and effective since 1 May 2012, standards are made for the quality control of concrete.

II. THE CONSTRUCTION INDUSTRY

Pursuant to the “Regulations on the Quality Management of Construction Projects” (建設工程質量管理條例), promulgated by State Council on 7 October 2017 and came into effect on the same day, and the “Provisions on the Administration of Qualifications of Construction Enterprises” (建築業企業資質管理規定), promulgated by the MOHURD on 22 January 2015, revised on 13 September 2016 and effected on 20 October 2016, and the “Provisions on the Administration of Foreign-funded Construction Enterprises” (外商投資建築業企業管理規定), promulgated by the Ministry of Construction (has been changed to MOHURD) and Ministry of Foreign Trade and Economic cooperation (has been changed to Ministry of Commerce) on 27 September 2002 and effective from 1 December 2002, every foreign investment enterprise established in China by foreign investors and engaging in the production and sale of concrete shall obtain a qualification certificate of construction enterprise from the construction administration.

Pursuant to the “PRC Construction Law” (中華人民共和國建築法), promulgated by the Standing Committee of the National People’s Congress on 2 November 1997, and revised on 22 April 2011 and effected on 1 July 2011, and “Provisions on the Administration of Qualifications of Construction Enterprises” (建築業企業資質管理規定), the “Standards of Qualifications for Construction Enterprises (2014)” (建築業企業資質標準(2014)) promulgated by the MOHURD on 6 November 2014 and effected on 1 January 2015, the qualification for professional contracting pre-mixed concrete is not graded anymore, and qualified enterprises may produce concrete of various strength grades and special concrete. The term of validity for the Qualification Certificate of Construction Enterprise is five years. Jiangsu Tailam acquired Construction Enterprises Qualification Certificate with certificate No. DW332000936 for the ungraded premixed concrete professional contractor issued by Nantong Administrative Examination and Approval Bureau on 8 June 2016, the expiration date of which is 6 June 2021.

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Pursuant to the “Unified Standard for Constructional Quality Acceptance of Building Engineering” (建築工程施工質量驗收統一標準) (GB50300-2013), promulgated by the MOHURD on 1 November 2013 and effected on 1 June 2014, general standards on the methods, quality criteria and processes of construction acceptance are made. Pursuant to the “Measures of Jiangsu Province for the Quality Supervision and Administration of Housing Construction and Municipal Infrastructure Projects” (江蘇省房屋建築和市政基礎設施工程質量監督管理辦法), promulgated by the Jiangsu Province Government on 21 May 2013 and effected from 1 July 2013, for major building materials such as concrete and PHC piles that affect the quality, safety and functional use of the main structure of the building, the supplier shall, in accordance with relevant regulations, go through registration procedures with the local administrative department of housing and urban and rural construction. Pursuant to the “Notice on Registration of Pre-mixed Concrete and Construction Accessories” (關於對預製混凝土構配件進行登記的通知) (通建工[2017] 367號), promulgated by the Nantong Urban and Rural Construction Department on 13 November 2017 and came into effect on the same day, Nantong Construction Quality Supervision Station is responsible for reviewing the application materials for the pre-mixed concrete and construction accessories registration and issuing the certificates if all the request are meet. The registration shall be regarded as the quality certificate for the pre-mixed concrete, the pre-mixed should be accepted in accordance with the relevant laws and regulations and standards before put into use.

Pursuant to “The 13th Five-year-Plan of Construction Industry” (建築業發展「十三五」規劃), promulgated by the MOHURD on 26 April 2017, the ministry aimed at upgrading and optimising the construction industry with various measures such as easing the tax burden of construction enterprises and offering financial support to major strategic projects. Pursuant to the “Opinions of the Provincial Government on Promoting the Reform and Development of the Construction Industry” (省政府關於促進建築業改革發展的意見), promulgated by Jiangsu Province Government on 24 November 2017, the Jiangsu Province government put forward 20 suggestions for promoting the reform of construction industry in Jiangsu Province, which includes optimising the structure of the building industry, improving the assembly technology standard system and marketing system and accelerating the application of Building Information Modeling (BIM) technology, etc.

III. DOCK CONSTRUCTION

Pursuant to the “PRC Law of Waters” (中華人民共和國水法), revised in 2018, the “PRC Regulations on the Administration of River Courses” (中華人民共和國河道管理條例), promulgated and revised by the State Council in 2018, and the “Provisions on the Administration of Construction Projects within the Administrative Scope of River Courses” (河道管理範圍內建設項目管理的有關規定), promulgated and revised by the Ministry of Water Resources in 2017, the construction of docks and other structures and facilities within the administrative scope of river courses shall be carried out within the limits of the authority for the administration of river courses and subject to examination and approval by the competent authorities for river courses before commencement of construction.

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Pursuant to the “Notice on the Limits of Authority for Approval of Construction Projects within the Administrative Scope of Yangtze River Basin” (關於長江流域河道管理範圍內建設項目審查權限的通知), promulgated by the Ministry of Water Resources in 1995, within the administrative scope of the Yangtze River basin, except for construction projects subject to the examination and approval by the Yangtze River Conservancy Commission, projects shall be governed by local river course authorities at different levels, and specific administrative measures shall be formulated. According to the “Provisions on the Administration of Construction Projects within the Administrative Scope of River Course of Jiangsu Province” (江蘇省河道管理範圍內建設項目管理規定), promulgated by the Jiangsu Water Resources Department in 2002, construction projects within the administrative scope of river course of Jiangsu shall be examined and approved by the river course administrations at the city (which can be divided into districts) level and county level according to the limits of authority of administration levels, except river courses under the administration of provincial river course administration. If the river course administrative authority approves the construction on a river course, it shall issue a letter of approval for the construction project. The entity who wishes to carry out construction shall, prior to the commencement of the construction project, obtain the certificate for occupation of river course projects in Jiangsu province from the local river course administrative authority, enter into an agreement for occupation and payment of fees, and pay compensation fees for occupation of construction projects on the river course in accordance with the relevant provisions.

IV. FOREIGN INVESTMENT

Wholly Foreign-owned Enterprises Law

Pursuant to the “Wholly Foreign-owned Enterprises Law of the People’s Republic of China” (中華人民共和國外資企業法), promulgated by the Standing Committee of the National People’s Congress on 12 April 1986, amended on 3 September 2016 and effected on 1 October 2016, and the “Implementation Regulations for the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises” (中華人民共和國外資企業法實施細則), promulgated by the State Council on 12 December 1990, amended on 18 February 2014 and effected on 1 March 2014, wholly foreign-owned enterprises are those enterprises established in China, in accordance with the relevant laws, with their capital provided totally by a foreign investor, and shall exclude branches established in China by foreign enterprises or other economic organisations. Wholly foreign-owned enterprises must observe laws and regulations and shall not harm the social order or public interest of China. Industries for which establishment of wholly foreign-owned enterprises is prohibited or restricted shall implement the provisions of the State on guiding the direction of foreign investments and the Catalogue on Industry Guidelines for Foreign Investment.

Negative List for Foreign Investment Access

Pursuant to the “Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018)” (外商投資准入特別管理措施(負面清單)), promulgated by National Development and Reform Commission and the Ministry of Commerce on 28 June 2018 and effected on 28 July 2018, foreign investors may not invest in areas where foreign investors are prohibited from investment as provided by the Negative List for Foreign Investment Access; a foreign investment permission must be obtained prior to investing in other areas that are not prohibited by the Negative List for Foreign Investment Access; when investment is made in areas for which there are equity requirements, no foreign-invested partnership may be established. Jiangsu Tailam’s business does not belong to the Negative List for Foreign Investment Access.

V. FOREIGN CURRENCY

Foreign Currency Exchange Control

Pursuant to the “Foreign Exchange Control Regulations of the People’s Republic of China” (中華人民共和國外匯管理條例), promulgated by State Council on 29 January 1996 and amended on 5 August 2008 and with effect on the same day, circulation of foreign currencies within the territory of the PRC shall be prohibited, and no pricing and settlement shall be made in foreign currencies, unless otherwise stipulated by the State Council. Domestic organisations engaging in foreign exchange businesses shall submit information such as financial accounting reports, statistical reports, etc. pursuant to the provisions of the foreign exchange control department of the State Council.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the “Company Law of the PRC” (中華人民共和國公司法), promulgated by the Standing Committee of the National People’s Congress on 29 December 1993, amended on 26 October 2018 and effected on the same day, the “Wholly Foreign-owned Enterprises Law of the People’s Republic of China” (中華人民共和國外資企業法), and the “Implementation Regulations for the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises” (中華人民共和國外資企業法實施細則). Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, shall, upon payment of income tax on its profits pursuant to the provisions of China tax laws, make apportionment to its reserve fund as well as employees’ bonus and welfare fund. The percentage to be apportioned to the reserve fund shall not be less than 10% of the after-tax profits; when the cumulative apportioned amount attains 50% of the registered capital, the enterprise may stop making apportionment. The percentage of apportionment to the employees’ bonus and welfare fund shall be determined by the wholly foreign-owned enterprise. These reserves are not distributable as cash dividends.

VI. PRODUCTION SAFETY

According to the “Production Safety Law of the People’s Republic of China” (中華人民共和國安全生產法), promulgated by the Standing Committee of the National People’s Congress on 1 November 2002, revised on 31 August 2014 and effected on 1 December 2014, production entities shall fulfil the production safety requirements under the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Entities which fail to meet the production safety requirement may not engage in any production activities. Enterprises shall organise education and training on production safety for its staff. They shall also provide its staff with labour protective articles which meet the national or industrial standards and supervise and guide their staff to wear and use such articles according to the prescribed use.

VII. ENVIRONMENTAL PROTECTION

General Rules

In accordance with the “PRC Environmental Protection Law” (中華人民共和國環境保護法), promulgated by the Standing Committee of the National People’s Congress on 26 December 1989, amended on 24 April 2014 and effected on 1 January 2015, the environmental protection department of the State Council shall formulate national environment quality standards. People’s Governments of Provinces, autonomous regions and centrally-administered municipalities may formulate local environmental quality standards for projects are not governed by the national environmental quality standards; for projects are governed by the national environmental quality standards, stricter local environmental quality standards which are stricter than the national environmental quality standards may be formulated under the Central Government. Local environmental quality standards shall be filed with the environmental protection department of the State Council for record.

Enterprises discharge any pollutants in their daily operations and manufacture shall observe the national discharge standards which are regulated by the Ministry of Environmental Protection of the PRC, which has established various discharge standards, as amended and revised from time to time, with regards to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants.

Environmental Impact Assessment

According to the “Administrative Regulations for the Environmental Protection of Construction Projects” (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, revised on 16 July 2017 and effected on 1 October 2017, and “Environmental Impact Assessment Law of the People’s Republic of China” (中華人民共和國環境影響評價法), promulgated by the Standing Committee of the National People’s Congress on 28 October 2002, revised on 29 December 2018 and effected on the same day, enterprises are required to engage institutions with corresponding environmental impact assessment qualifications to provide environmental impact assessment services and reports for submission to the competent environmental protection approval administration. The State shall implement classified administration of environmental impact assessment for

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construction projects in accordance with the degree of environmental impacts of construction projects. The construction unit shall produce environmental impact reports and environmental impact statements or complete environmental impact registration forms (hereinafter referred to as “**Environmental Impact Assessment Documents**”) as follows:

1. In the event of possible significant environmental impact, an environmental impact report shall be prepared for comprehensive assessment of the environmental impact.
2. In the event of slight environmental impact, an environmental impact statement shall be prepared for analysis or assessment of specific items relating to the environmental impact.
3. In the event of minimal environmental impact which does not warrant an environmental impact assessment, an environmental impact registration form shall be completed.

Construction work may only be commenced after such an assessment is submitted to and approved by the environmental protection administrative authority. The construction of pollution prevention and control facilities in a construction project must be designed and commenced simultaneously with the main facility. Pollution prevention and control facilities shall not be put to use until the approval, upon inspection, by the original environmental protection authority which had approved the environmental impact assessment report.

An enterprise which fails to submit assessment documents on the environmental impact of a construction project in accordance with the law or which commences construction work without permission will be ordered to cease construction and go through formalities retrospectively within a prescribed timeframe. If the enterprise fails to go through the formalities retrospectively, the enterprise and the person with direct responsibilities are subject to fines or administrative penalties.

Pollutant Discharge

According to the “Laws of the People’s Republic of China on the Prevention and Control of Water Pollution” (中華人民共和國水污染防治法), promulgated by the Standing Committee of the National People’s Congress on 11 May 1985, revised on 27 June 2017 and with effect from 1 January 2018, environmental impact assessment shall be conducted for any new construction, reconstruction and expansion of projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. Enterprises and institutions that discharge pollutants directly or indirectly into the water shall obtain the pollutants discharge permits. Enterprises and institutions that discharge pollutants directly into the water shall pay pollutant discharge fees based on the types and quantities of the sewage discharged and the levy standard.

REGULATORY OVERVIEW

According to the “Law of the People’s Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste” (中華人民共和國固體廢物污染環境防治法), promulgated by the Standing Committee of the National People’s Congress on 30 October 1995, revised on 7 November 2016 and with effect on the same day, entities that generate industrial solid wastes shall establish and improve the accountability system for the prevention and control of environmental pollution and adopt measures to prevent and control the environmental pollution caused by industrial solid wastes. The PRC Government has implemented a report and register system for industrial solid wastes. Entities which produce industrial solid wastes shall report the relevant information to the local environmental protection administrative authority which is above county level, where such information including the types, output volume, destination, storage and disposal of the industrial solid wastes.

According to the “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution” (中華人民共和國大氣污染防治法), promulgated by the Standing Committee of the National People’s Congress on 5 September 1987, amended on 26 November 2018 and with effect on the same day, new construction, expansion and reconstruction projects which discharge pollutants into the air shall be subject to the relevant environmental protection regulations of the PRC. Entities that discharge pollutants to the air shall report to the local environmental protection administrative authority existing facilities for discharge and treatment of pollutants, and the categories, quantities and concentrations of pollutants discharged under normal operating conditions, and they are also required to submit to the technical information concerning the prevention and control of air pollution. The PRC Government has adopted a policy to collect pollutant discharge fees based on the categories and quantity of pollutants discharged to the air and the fee standard shall be reasonably determined which based on the requirements for improving the prevention and control of air pollution as well as the economic and technical conditions of the PRC.

Under the “Law on Prevention and Control of Environmental Noise Pollution of the People’s Republic of China” (中華人民共和國環境噪聲污染防治法), promulgated by the Standing Committee of the National People’s Congress on 29 October 1996, amended on 29 December 2018 and with effect on the same day, industrial enterprises producing environmental noise pollution as a result of using their fixed facilities in industrial production must report to the local environmental protection administrative department in charge in relation to their facilities that produce noise pollution by category, quantity, and noise pollution level under normal operating conditions as well as the conditions of their noise pollution preventive facilities. They should also provide technical information about how to prevent and control noise pollution. Units producing environmental noise pollution should adopt remedial measures and pay discharge fees for exceeding the standards according to the PRC regulations.

VIII. TAXATION

Enterprise Income Tax

Pursuant to the “PRC Tax Law” (中華人民共和國企業所得稅法), promulgated by the Standing Committee of the National People’s Congress on 16 March 2007, revised on 29 December 2018, and its implementing rules, resident enterprises are subject to enterprise income tax for all incomes generated within and outside the PRC, while non-resident enterprises which have established institutions or places of business in the PRC are subject to enterprise income tax for all incomes generated from such institutions or places of business in the PRC and all incomes generated outside the PRC which are actually related to the institutions or places of business established in the PRC. The enterprise income tax rate is 25%.

Non-resident enterprises which have not established any institutions or places of business in the PRC, or which have established institutions or places of business in the PRC but there are no actual relationship between the incomes generated in the PRC and such institutions or places of business are only subject to enterprise income tax for all incomes generated in the PRC at an applicable rate of 20%. However, according to the Implementation Regulations of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on 28 November 2007 and effected on 1 January 2008, the aforesaid income of non-resident enterprise shall be subject to enterprise income tax at a reduced tax rate of 10%.

According to the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income” (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), effective from 1 January 2007, for a Hong Kong enterprise directly holds not less than 25% of the shares of a PRC enterprise, the dividend paid to the Hong Kong enterprise by the PRC enterprise shall be subject to a withholding tax rate of 5%. According to the “Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties” (關於執行稅收協議股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, the direct shareholding proportion of such corporate recipients of dividends distributed by the PRC enterprises must satisfy the minimum requirement under the tax treaty at all times during the 12 consecutive months preceding the receipt of the dividends.

Value-added Tax

Pursuant to the “Provisional Regulations of the People’s Republic of China on Value-added Tax” (中華人民共和國增值稅暫行條例) (the “**VAT Provisions**”), promulgated by the State Council on 13 December 1993 and revised on 19 November 2017 and effective on the same day, organisations and individuals engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as the “**labour services**”), sales of services, intangible assets, immovables and importation of goods in the People’s Republic of China shall be taxpayers of VAT, and shall pay VAT at a tax rate of 17% pursuant to the

REGULATORY OVERVIEW

VAT Provisions. The State Council Executive Meeting announced on 28 March 2018 that the value-added tax rate for industries such as manufacturing will be lowered from 17% to 16% from 1 May 2018. Therefore, when company selling Concrete Piles, the tax rate of VAT shall be 17% and 16% before and after 1 May 2018, respectively.

Pursuant to “Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies Concerning the Application of Low Tax Rates and Simplified Taxation Method for Certain Goods” (財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知), promulgated by Ministry of Finance, State Administration of Taxation on 19 January 2009 and effective on the same day, and “Notice of the Ministry of Finance and the State Administration of Taxation on Simplifying Value-added Tax Rate Policies” (關於簡併增值稅徵收率政策的通知), promulgated by Ministry of Finance, State Administration of Taxation on 13 June 2014 and effective on 1 July 2014. If general taxpayers sell Concrete commodities (solely include cement concrete made of cement as the raw material), VAT shall be paid and calculated at the rate of 3% under the simplified method.

Environmental Protection Tax

Pursuant to the “Environmental Protection Tax Law of the People’s Republic of China” (中華人民共和國環境保護稅法), promulgated by the Standing Committee of the National People’s Congress on 25 December 2016 and effective from 1 January 2018 and then revised 26 October 2018, public institutions and other producers/operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of environmental protection tax and shall pay such tax in accordance with the provisions of this Law. The people’s government of a province, autonomous region or centrally-administered municipality may propose the determination of and adjustment to the applicable tax amounts of the taxable air pollutants and water pollutants within the range of taxable amounts specified in the Table of Items and Amounts of environmental protection tax annexed hereto by giving full considerations to local environmental bearing capacity, status quo of discharge of pollutants as well as the requirements of the socioeconomic development objectives, subject to approval by the standing committee of the people’s congress at the same level and filing with the Standing Committee of the National People’s Congress and the State Council. Environmental protection tax shall be collected in accordance with the provisions of this Law and the waste discharge fee shall no longer be collected from the effective date of this Law.

Urban maintenance and Construction Tax

Pursuant to the “Interim Regulations on Urban maintenance and Construction Tax of the People’s Republic of China” (中華人民共和國城市維護建設稅暫行條例), promulgated by the State Council on 8 February 1985, revised on 8 January 2011 and effected on the same day, the rates of urban maintenance and construction tax shall be 7% for a taxpayer in a city.

Education Surcharges

Pursuant to the “Provisional Regulations on the Collection of Education Surcharges” (徵收教育費附加的暫行規定), promulgated by the State Council on 28 April 1986, revised on 8 January 2011 and effected on the same day, the computation and collection of education surcharges are based on the amount of value-added tax, business tax and consumption tax actually paid by entities and individuals. The rate of education surcharges is 3%, which shall be paid together with value-added tax, business tax or consumption tax respectively. Unless otherwise prescribed by the State Council, no region or authority may increase or reduce the education surcharge rate without authorisation.

IX. LABOUR AND SOCIAL SECURITY

Pursuant to the “PRC Employment Contract Law” (中華人民共和國勞動合同法), promulgated by the Standing Committee of the National People’s Congress on 29 June 2007, amended on 28 December 2012 and with effect from 1 July 2013, and the Implementing Regulations of the PRC Employment Contracts Law (中華人民共和國勞動合同法實施條例), promulgated by the State Council and effective from 18 September 2008, a written employment contract shall be signed to establish an employer and employee relationship. If the employer fails to conclude a written employment contract with an employee for one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, a non-fixed term of contract shall be regarded as being concluded between the employer and the employee. Enterprises and institutions are forbidden to force the employees to work beyond the time limit and the employers shall pay employees overtime work in accordance with national regulations. In addition, wages shall not be lower than local standards on minimum wages and shall be paid to the labourers timely.

In accordance with the “PRC Labour Law” (中華人民共和國勞動法), promulgated by the Standing Committee of the National People’s Congress on 5 July 1994, revised on 27 August 2009 and effective on the same day, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by State rules and standards on work place safety and sanitation, educate labourers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide employees with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labour protection.

Under applicable PRC laws, rules and regulations, including the “PRC Social Insurance Law” (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People’s Congress on 28 October 2010, revised on 29 December 2018 and effected on the same day, the “Interim Regulations on the Collection and Payment of Social Security Funds” (社會保險費徵繳暫行條例) promulgated by the State Council and became effective on 19 March 1999, the “Regulations on Occupational Injury Insurance” (工傷保險條例) promulgated by the State Council on 27 April 2003, amended on 20 December 2010 and effected on 1 January 2011, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council on 3 April 1999, amended on 24 March 2002 and effected on the same day, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic

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medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

X. PORT SHORELINE USAGE

Pursuant to the “Port Law of the People’s Republic of China” (中華人民共和國港口法), promulgated by the Standing Committee of the National People’s Congress on 28 June 2003, revised on 29 December 2018 and effected on the same day, and the “Measures for the Administration of Examination and Approval of Port Shorelines” (港口岸線使用審批管理辦法), promulgated by the Ministry of Transportation and NDRC on 22 May 2012, revised on 3 May 2018 and effected on 1 July 2018, the usage of the port to loading and unloading materials and products should apply for the Approval of Port Shoreline by the relevant port administrative department.

XI. BID AND TENDER LAW

Pursuant to the “Tendering and Bidding Law of the People’s Republic of China” (中華人民共和國招標投標法), promulgated by the Standing Committee of the National People’s Congress on 30 August 1999, revised on 27 December 2017 and effective from 28 December 2017, bids shall be invited for the following project construction items undertaken within the PRC, including surveying, design, construction, supervision and management of the project, as well as the purchase of important equipment and materials for the project construction.

Pursuant to the “Measures for the Administration of Bidding and Tendering for Construction Projects Invested by State-owned Funds in Jiangsu Province” (江蘇省國有資金投資工程建設項目招標投標管理辦法), promulgated by the Jiangsu Province Government on 24 February 2018 and effective from 1 April 2018, guidance on tending and bidding for certain projects where contractors and subcontractors participate in is provided.

XII. INTELLECTUAL PROPERTY

Patent Law

Pursuant to the “Patent Law of the People’s Republic of China” (中華人民共和國專利法), promulgated by the Standing Committee of the National People’s Congress on 12 March 1984, revised on 27 December 2008 and effected on 1 October 2009, after granted patent rights for an invention or a utility model, unless otherwise stipulated in this Law, no organisation or individual shall implement the patent without licensing from the patentee, i.e. shall not manufacture, use, offer to sell, sell or import such patented products for manufacturing and business purposes, or use the patented method and use, offer to sell, sell or import products obtained directly according to the patented method. The validity period of patent rights for an invention shall be 20 years, the validity period of patent rights for a utility model or a design shall be 10 years, the validity period shall commence from the date of application.

Trademark Law

Pursuant to the “Trademark Law of the People’s Republic of China” (中華人民共和國商標法), promulgated by the Standing Committee of the National People’s Congress on 23 August 1982, revised on 30 August 2013 and effected on 1 May 2014, natural persons, entities or any other organisations that need to obtain exclusive rights to use trademark for their commodities or services in the course of their manufacturing and business activities shall apply to the Trademark Office for trademark registration. Commodities for which the use of registered trademark is stipulated by laws and administrative regulations shall apply for trademark registration, the commodities shall not be sold in the market prior to approval and registration. A registered trademark shall be valid for 10 years, commencing from the date of registration. Upon expiry of the validity period of a registered trademark, where the trademark registrant intends to continue using the trademark, it shall complete renewal formalities pursuant to the provisions within the 12-month period before the expiry date; where renewal formalities are not completed within the stipulated period, a six-month extension may be allowed. The validity period of each renewal shall be 10 years, commencing from the date following expiry of the preceding validity period of the said trademark. Where renewal formalities are not completed upon expiry of the validity period, the registered trademark shall be cancelled.

Administrative Measures on Internet Domain Names

Pursuant to the “Administrative Measures on Internet Domain Names”, promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and effected on 1 November 2017, domain name services shall comply with the relevant laws and regulations of the State, and adhere to the relevant technical norms and standards. No organisation or individual shall hinder secured and stable operation of the Internet Domain Name System.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 March 2019. Following the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company became the holding company of our Group for the purpose of the Listing.

HISTORY AND DEVELOPMENT

Our Group has its origins in 2011 when our Executive Director and chairperson of our Board, Ms. Wong Han Yu Alice founded our business via the establishment of our major operating subsidiary, Jiangsu Tailam, with Mr. Lam Ting Tung, a third party individual. Our Company is an investment holding company and, via our sole operating subsidiary, Jiangsu Tailam, we manufacture and sell PHC pile and commercial concrete in the PRC.

BUSINESS DEVELOPMENT AND KEY MILESTONES

The table below sets forth the key milestones in our business development:

<u>Year</u>	<u>Events/Milestones</u>
2011	Establishment of our sole operating subsidiary, Jiangsu Tailam, in the PRC
2012	Our first and second environmental protection concrete mixing plants (one for each production line i.e. PHC pile and commercial concrete) were put into operation
2014	Our third environmental protection commercial concrete mixing plant (for commercial concrete) was put into operation
2016	The listing of the shares of Jiangsu Tailam on the NEEQ
2017	Jiangsu Tailam was awarded the Top 50 Industrial Enterprises by Qidong Municipal Committee of the Communist Party of China, Qidong People’s Government* (中共啟東市委 • 啟東市人民政府) Jiangsu Tailam was awarded Star Entrepreneur of the year by Qidong Municipal Committee of the Communist Party of China, Qidong People’s Government* (中共啟東市委 • 啟東市人民政府)
2018	Jiangsu Tailam was awarded Star Entrepreneur of the Year by Qidong Municipal Committee of the Communist Party of China, Qidong People’s Government* (中共啟東市委 • 啟東市人民政府)

CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group consists of our Company, Tailam Investment Holdings, Tailam Hong Kong and Jiangsu Tailam. Set out below is the brief corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 March 2019 in anticipation of the Listing. As at the date of its incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares. For further details, please refer to the paragraph headed “Reorganisation — Offshore Reorganisation — Step 1: Incorporation of our Group’s offshore holding structures” below in this section.

Tailam Investment Holdings

Tailam Investment Holdings was incorporated in the BVI with limited liability on 15 March 2019, to serve as an intermediate holding company, as part of the Reorganisation. As at the date of incorporation, Tailam Investment Holdings was authorised to issue 50,000 shares of a par value of US\$1.00 each. For further details, please refer to the paragraph headed “Reorganisation — Offshore Reorganisation — Step 1: Incorporation of our Group’s offshore holding structures” below in this section.

Tailam Hong Kong

Tailam Hong Kong was incorporated in Hong Kong as a limited liability company on 21 August 2014 under the name of Tailam Pile (HK) Co., Limited, to hold the interests of Jiangsu Tailam. As at the date of incorporation, the issued share capital of Tailam Hong Kong was HK\$10,000 comprising 10,000 ordinary shares of HK\$1.00 each in its capital, of which 8,000 Tailam Hong Kong Shares and 2,000 Tailam Hong Kong Shares were issued and allotted as fully paid to Ms. Wong Han Yu Alice and Mr. Lam Ting Tung, respectively. It assumed its present name on 13 August 2015.

In anticipation of and preparation for the proposed listing of Jiangsu Tailam on the NEEQ, the existing shareholders of Tailam Hong Kong at that time agreed to undertake certain share restructuring at the Tailam Hong Kong level. In this respect, the existing shareholders of Tailam Hong Kong (including Ms. Wong Han Yu Alice) and its proposed new shareholders agreed to and undertook the following issuance and transfers of Tailam Hong Kong Shares to, among other things, share the future potential and benefits of Jiangsu Tailam with members of Ms. Wong Han Yu Alice’s family:

- On 13 August 2015, Tailam Hong Kong issued and allotted 54,700 Tailam Hong Kong Shares to Ms. Wong Han Yu Alice, 15,100 Tailam Hong Kong Shares to Mr. Lam Ting Tung, 11,800 Tailam Hong Kong Shares to Mr. Andre Widjaja and 8,400 Tailam Hong Kong Shares to Mr. Wang Liangmin (the father of Mr. Wang Chao Hong), all at the consideration of HK\$1.00 per Tailam Hong Kong Shares. Upon completion of such allotment, Tailam Hong Kong was held as to 62.7% by Ms. Wong Han Yu Alice, 17.1% by Mr. Lam Ting Tung, 11.8% by Mr. Andre Widjaja and 8.4% by Mr. Wang Liangmin. All the issued and allotted ordinary shares were credited as fully paid on 13 August 2015.

HISTORY, DEVELOPMENT AND REORGANISATION

Mr. Andre Widjaja is an entrepreneur. He is currently a shareholder and the president commissioner of PT Kalba Indo Jaya Semesta, a freight forwarding company, and a shareholder and the commissioner of PT Lentera Panduartha Makmur, an investment company. Besides, he is a partner in CV Kalba International which carries on timber trading business. He is a business associate of Tailam International which carries on the trading of timber products business. Ms. Wong Han Yu Alice and her family were first acquainted to Mr. Andre Widjaja when Ms. Wong Han Yu Alice's family first engaged him to supply timber products to Tailam International around 2006. Since then, their business relationship in the timber business had continued to date.

The allotment and issuance of Tailam Hong Kong Shares to Mr. Andre Widjaja in August 2015 was in recognition of the established business relationship between him and Ms. Wong Han Yu Alice and her family members with respect to the timber business, and with the understanding that portion of those shares issued to him will be transferred to certain family members of Ms. Wong Han Yu Alice once such allocations were agreed.

- On 31 December 2015, the members and the board of directors of Tailam Hong Kong approved the transfer by Mr. Andre Widjaja of 3,040 Tailam Hong Kong Shares to Mr. Wong Leung Yau, 1,000 Tailam Hong Kong Shares to Ms. Wong Chiu Ling and 1,000 Tailam Hong Kong Shares to Ms. Wong Yu Ting, respectively once Ms. Wong Han Yu Alice's family had determined the allocation of Tailam Hong Kong Shares within the family in order to share the future potential and benefits of Jiangsu Tailam. The share transfers were completed on 31 December 2015 at the consideration of HK\$1.00 per ordinary share. Upon the completion of such transfer, Tailam Hong Kong was held as to 62.7% by Ms. Wong Han Yu Alice, 17.1% by Mr. Lam Ting Tung, 6.76% by Mr. Andre Widjaja, 8.40% by Mr. Wang Liangmin, 3.04% by Mr. Wong Leung Yau, 1.00% by Ms. Wong Chiu Ling and 1.00% by Ms. Wong Yu Ting.

As part of the Reorganisation, Tailam Hong Kong has undergone shares sub-division and shares transfer as detailed in the paragraph headed “Reorganisation — Onshore Reorganisation — Step 3” below in this section.

Jiangsu Tailam

We primarily conduct our business in the PRC through Jiangsu Tailam, which is principally engaged in the manufacture and sales of PHC piles and commercial concrete.

Jiangsu Tailam was incorporated in the PRC as a limited liability company on 29 June 2011 under the name of 江蘇泰林管樁有限公司 (Jiangsu Tailam Pile Co., Limited*). As at 1 January 2016 (commencement date of the Track Record Period), the registered and paid-in capital of Jiangsu Tailam was RMB48 million, of which 95.83% was owned by Tailam Hong Kong and 4.17% was owned by Shenzhen Rongxin.

HISTORY, DEVELOPMENT AND REORGANISATION

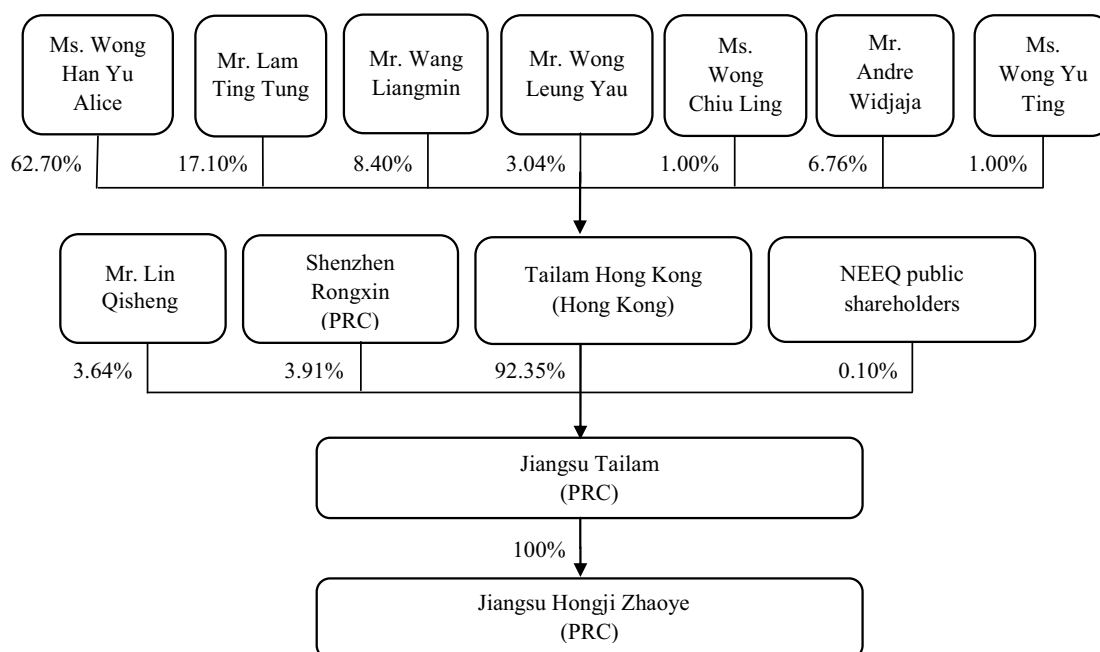
In early 2016, the shareholders and directors of Jiangsu Tailam resolved the proposed listing of Jiangsu Tailam on the NEEQ, with the aim of enabling Jiangsu Tailam to have direct access to the PRC capital market for cost effective capital raising to expand its business and increase our competitiveness. In preparation for the listing of the shares of Jiangsu Tailam on the NEEQ, on 7 June 2016, Jiangsu Tailam changed its name and was converted into joint-stock limited company under the name of 江蘇泰林工程構件股份有限公司 (Jiangsu Tailam Co., Ltd.*) with the paid in share capital of RMB53 million comprising 53 million ordinary shares of RMB1.00 each, which was owned as to 95.83% by Tailam Hong Kong and 4.17% by Shenzhen Rongxin. The shares of Jiangsu Tailam was subsequently listed on the NEEQ on 9 December 2016.

On 7 May 2018, Jiangsu Tailam issued and allotted 2 million ordinary shares of RMB1.00 each to Mr. Lin Qisheng at the consideration of RMB12 million (at the price of RMB6.00 per share) whereupon its paid in share capital was increased by RMB2 million from RMB53 million to RMB55 million and the remaining amount of RMB10 million was transferred and recorded as the reserve of Jiangsu Tailam.

Taking into account that the NEEQ is open only to qualified investors and for the reasons as stipulated in the section headed “Future Plans and Use of Proceeds — Reasons for the Listing” in this prospectus, the shareholders of Jiangsu Tailam resolved the de-listing from the NEEQ on 30 August 2018. In preparation for the Listing and for the purpose of streamlining our corporate structure, Jiangsu Tailam undertook a privatisation exercise and was delisted from the NEEQ on 17 September 2018, the details of which are more particularly described in the paragraph headed “Reorganisation” below in this section.

REORGANISATION

In preparation for the Listing, our Group undertook the Reorganisation whereupon our Company became the holding company and the listing vehicle of our Group. The following chart sets forth our corporate and shareholding structure before the Reorganisation:



HISTORY, DEVELOPMENT AND REORGANISATION

The principal steps of the Reorganisation are as follows:

Onshore Reorganisation

Step 1: Acquisition of entire interest of the NEEQ public shareholders in Jiangsu Tailam by Shenzhen Rongxin

On 20 and 21 August 2018, Shenzhen Rongxin acquired 60,000 shares in the capital of Jiangsu Tailam, representing approximately 0.10% of the total issued shares of Jiangsu Tailam, from the NEEQ public shareholders for a total consideration of RMB360,000 and at the price of RMB6.00 per share. This consideration was determined with reference to the price at which each of the NEEQ public shareholder had acquired the shares in Jiangsu Tailam from Shenzhen Rongxin on 30 March 2018, 3 April 2018 and 12 April 2018. The consideration was fully settled on 20 and 21 August 2018.

Step 2: Privatisation of Jiangsu Tailam and Repurchase of Shares from Shenzhen Rongxin and Lin Qisheng

On 5 September 2018, Jiangsu Tailam applied for its delisting from the NEEQ and it was delisted from the NEEQ on 17 September 2018. Our Directors have confirmed that, to the best of their knowledge and belief, during the period that Jiangsu Tailam was listed on the NEEQ, (a) Jiangsu Tailam had complied with all applicable securities laws and regulations, and the listing rules of the NEEQ in all material respects; and (b) there is no issue in relation to the prior listing of Jiangsu Tailam that needs to be brought to the attention of the Stock Exchange or the Shareholders. Following the delisting from the NEEQ, Jiangsu Tailam undertook a capital reduction exercise by repurchasing and cancelling the paid-in capital of Jiangsu Tailam to the extent of RMB6.00 on each share in Jiangsu Tailam held by Shenzhen Rongxin and Mr. Lin Qisheng. Jiangsu Tailam repurchased a total of 2,208,333 shares and 2,000,000 shares respectively, from Shenzhen Rongxin and Mr. Lin Qisheng for the consideration of RMB13,249,998 and at the price of RMB6.00 per share and RMB12,000,000 and at the price of RMB6.00 per share, respectively (the “**Shares Repurchase Exercise**”). Jiangsu Tailam undertook the Shares Repurchase Exercise as Shenzhen Rongxin and Mr. Lin Qisheng did not wish to participate in the Listing as it requires them to go through the PRC legal process to entitle them to hold shares in the overseas special purpose vehicles for the purpose of the Listing. On 25 January 2019, Jiangsu Tailam completed its conversion from a joint stock company to a private limited enterprise and changed its name to Jiangsu Tailam Construction Co., Ltd.* (江蘇泰林建設有限公司). After the completion of the privatisation and capital reduction, Tailam Hong Kong became the sole direct shareholder of Jiangsu Tailam, its registered and paid-in capital was reduced to RMB50,791,667 and the enterprise nature of Jiangsu Tailam became a wholly-foreign owned enterprise.

HISTORY, DEVELOPMENT AND REORGANISATION

Step 3: Shares sub-division and shares transfers in Tailam Hong Kong

On 4 September 2018, the members and the board of directors of Tailam Hong Kong approved the sub-division of Tailam Hong Kong Shares into 100 ordinary shares of HK\$0.01 each (the “**Tailam Hong Kong Subdivided Shares**”). Tailam Hong Kong issued and allotted 9,900,000 Tailam Hong Kong Subdivided Shares to Ms. Wong Han Yu Alice, Mr. Wang Chao Hong (the son of and at the direction of Mr. Wang Liangmin), Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja (the sister of and at the direction of Mr. Andre Widjaja) of 7,900,200 Tailam Hong Kong Subdivided Shares, 831,600 Tailam Hong Kong Subdivided Shares, 300,960 Tailam Hong Kong Subdivided Shares, 99,000 ordinary shares, 99,000 Tailam Hong Kong Subdivided Shares and 669,240 Tailam Hong Kong Subdivided Shares, respectively.

On 5 September 2018, as Mr. Lam Ting Tung was retiring and did not intend to continue with the business of our Group, he transferred his entire shareholding in Tailam Hong Kong to Ms. Wong Han Yu Alice at the consideration of RMB15.9 million. The consideration was agreed by the parties with reference to the net asset value of Jiangsu Tailam as at 31 August 2018. This share transfer took place on 5 September 2018 and the purchase consideration for the share sale was fully settled by Ms. Wong Han Yu Alice and received by Mr. Lam Ting Tung on 5 March 2019. Mr. Lam Ting Tung was 61 years old when he retired from our Group. Our Directors confirm that there were no irregularities or disputes between Mr. Lam Ting Tung and other shareholders of Tailam Hong Kong relating to the operations and management of our Group or this share transfer.

On 5 September 2018, Mr. Wang Liangmin transferred his entire shareholding in Tailam Hong Kong to Mr. Wang Chao Hong at the consideration of HK\$8,400. This share transfer was completed on 5 September 2018. On 16 October 2018, Mr. Andre Widjaja transferred his entire shareholding in Tailam Hong Kong to Ms. Grace Widjaja with nil consideration. This share transfer was completed on 16 October 2018. Both the transfers of shares to Mr. Wang Chao Hong and Ms. Grace Widjaja were made as part of their respective family arrangements.

After such transfer of shares in Tailam Hong Kong, Tailam Hong Kong was owned as to 79.80% by Ms. Wong Han Yu Alice, 3.04% by Mr. Wong Leung Yau, 1.00% by Ms. Wong Chiu Ling, 1.00% by Ms. Wong Yu Ting, 8.40% by Mr. Wang Chao Hong and 6.76% by Ms. Grace Widjaja.

Step 4: Deregistration of Jiangsu Hongji Zhaoye

Jiangsu Hongji Zhaoye Investment Co., Ltd.* (江蘇宏基兆業有限公司) (“**Jiangsu Hongji Zhaoye**”) was incorporated in the PRC with limited liability on 9 February 2018. At incorporation, Jiangsu Hongji Zhaoye has a registered capital of RMB50 million, held as to 100% by Jiangsu Tailam.

As Jiangsu Hongji Zhaoye has been dormant since its incorporation and has no intention to carry out any operation in the future, the deregistration of Jiangsu Hongji Zhaoye was approved by Qidong Administrative Examination and Approval Bureau* (啟東市監局) on 19 February 2019.

Offshore Reorganisation

Step 1: Incorporation of our Group's offshore holding structures

Incorporation of our Company

On 7 March 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. Upon incorporation, one Share was allotted as fully paid to an independent initial subscriber at par value of HK\$0.01. On the same date, the independent initial subscriber transferred its one Share to Apax Investment at par value and our Company further allotted and issued 7,979 Shares, 840 Shares, 304 Shares, 100 Shares, 100 Shares and 676 Shares to Apax Investment, Glorycore Investment, Megacore Investment, Vako Investment, Super Universe and Blue Coral Resources (collectively, the “**Allottees**”), respectively, at the consideration of HK\$0.01 for each Share. Upon the completion of such share transfer and allotments, our Company was owned by Apax Investment as to 79.80%, Glorycore Investment as to 8.40%, Megacore Investment as to 3.04%, Vako Investment as to 1.00%, Super Universe as to 1.00% and Blue Coral Resources as to 6.76%.

Incorporation of Tailam Investment Holdings

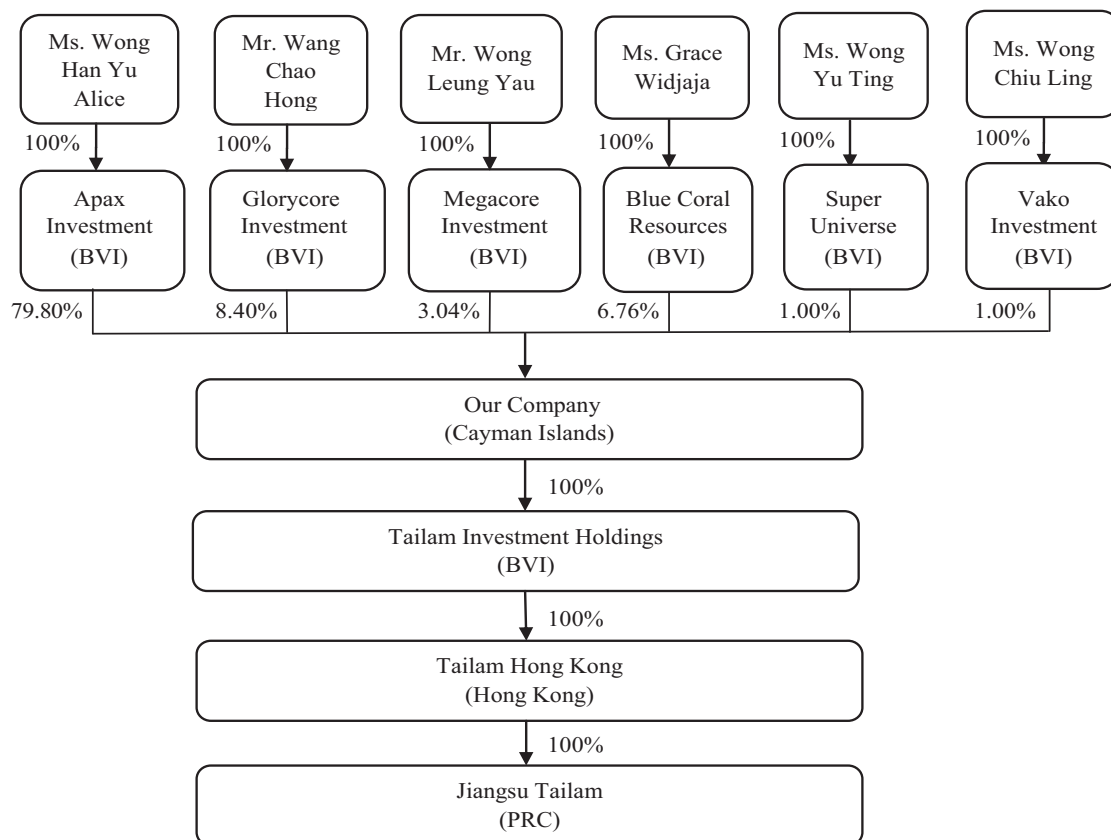
On 15 March 2019, Tailam Investment Holdings was incorporated in the BVI which is authorised to issue a maximum of 50,000 shares of a par value of US\$1.00 each. Upon incorporation, one share was allotted as fully paid to our Company, as initial subscriber.

Step 2: The acquisition of Tailam Hong Kong

On 21 March 2019, Ms. Wong Han Yu Alice, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja (collectively, the “**Existing Tailam Hong Kong Shareholders**”), our Company, Tailam Investment Holdings and Tailam Hong Kong entered into a sale and purchase agreement (the “**Acquisition Agreement**”), pursuant to which Tailam Investment Holdings acquired the entire issued and paid-up capital of Tailam Hong Kong from the Existing Tailam Hong Kong Shareholders for a consideration of HK\$199,900, with such consideration being satisfied by our Company allotting and issuing an aggregate of 19,990,000 Shares to the Allottees.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately after the Reorganisation but prior to the Share Offer:



Pre-IPO Investment

On 25 March 2019, our Company entered into a share subscription agreement (the “**Subscription Agreement**”) with the Pre-IPO Investor and Ms. Wong Han Yu Alice (the “**Guarantor**”) pursuant to which our Company issued and the Pre-IPO Investor subscribed for 1,400,000 Shares (the “**Subscription Shares**”) at a consideration of HK\$19,500,000. Completion of the subscription took place on 25 March 2019 (the “**Completion**”). Set out below is a brief summary of the key terms of the Subscription Agreement:

Name of investor	:	Perfect Growth Limited
Name of guarantor	:	Ms. Wong Han Yu Alice
Date of Subscription Agreement	:	25 March 2019
Number of Shares subscribed for	:	1,400,000 Shares

HISTORY, DEVELOPMENT AND REORGANISATION

Consideration	:	HK\$19,500,000
Date of full payment of the consideration	:	25 March 2019
Basis of determination of consideration	:	Arm’s length commercial negotiation, taking into consideration of (i) the Put Option (as detailed below) granted by the Guarantor; (ii) the financial information of our Group; and (iii) the business potentials and prospects of our Group.
Put Option	:	<p>The option granted by the Guarantor to the Pre-IPO Investor gives the Pre-IPO Investor the right to sell the Subscription Shares to the Guarantor and/or her nominee(s) at the Put Option Price in the event that, among others, the Listing does not take place in accordance with the Subscription Agreement.</p> <p>The Put Option shall automatically lapse on the earliest of (i) the date of Listing; (ii) the third anniversary of the Maturity Date (as defined below); and (iii) the date on which the Subscription Shares owned by the Pre-IPO Investor are sold, transferred or disposed of in any way to a third party.</p> <p>“Maturity Date” means the date falling on the expiry of one year from Completion, or such later date as may be determined by the Pre-IPO Investor at its sole discretion.</p>
Put Option Price	:	The consideration plus interest at a rate of 8.0% per annum calculated from the date of Completion to the date the Subscription Shares are transferred to the Guarantor and/or her nominee(s) and such put option price is fully settled.
Investment cost per Share	:	Approximately (a) HK\$13.93 (without taking into account the Capitalisation Issue); and (b) HK\$0.93 per Share (taking into account the Capitalisation Issue)
Discount to the Offer Price <i>(Note 1)</i>	:	A discount of approximately 31.1% (using the mid-point of the indicative Offer Price range, and without taking into account any Shares to be issued upon exercise of the options which may be granted under the Share Option Scheme)

HISTORY, DEVELOPMENT AND REORGANISATION

- Use of proceeds : The proceeds from the Pre-IPO Investment of HK\$19,500,000 shall be used for our general working capital and payment of expenses in connection with the Listing. As at the Latest Practicable Date, approximately 90.2% of the proceeds from the Pre-IPO Investment have been used.
- Benefits of the Pre-IPO Investment : At the time of the Pre-IPO Investment, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investor's investment in our Company taking into account that (i) it serves as an endorsement of our Group's performance, strength and prospects, especially given that the Pre-IPO Investor is a Hong Kong incorporated company; and (ii) it provides cash outside of the PRC for our Group's business activities and for offshore payments by our Group. Given that our Group's revenue is denominated in Renminbi and generated in the PRC, our Group is required to fulfil certain potentially time-consuming processes such as authentication by the relevant PRC bank that agrees to provide remittance services to our Group, and depending on the type of transactions, prior approvals from relevant authorities for remittance of funds under the PRC foreign exchange control regime.
- Number of shares subscribed and approximate percentage of shareholding of our Company immediately after Pre-IPO Investment : 1,400,000 Shares (representing approximately 6.54% of the issued share capital of our Company immediately after the Pre-IPO investment)
- Number of Shares and approximate percentage of shareholding upon Listing (Note 2) : 21,000,000 Shares (representing approximately 5.25% shareholding in our Company)

HISTORY, DEVELOPMENT AND REORGANISATION

- Lock-up undertaking : There is no lock-up arrangement agreed between the parties under the Subscription Agreement. However, pursuant to the Deed of Lock-up Undertaking, the Pre-IPO Investor has irrevocably undertaken to our Company and Ms. Wong Han Yu Alice and subject to compliance with the requirements of applicable Hong Kong laws, regulations and provisions of the Listing Rules, that:
- (1) without the prior written consent of our Company, the Pre-IPO Investor shall not, and shall procure that the relevant registered holder(s) shall not, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of any Shares of which it is shown in this prospectus to be the beneficial owner (the “**Relevant Shares**”) at any time during the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 180 days from the date on which dealings in the Shares commence on the Stock Exchange (the “**Pre-IPO Investor Lock-up Period**”). Notwithstanding the above, the Pre-IPO Investor may use any securities of our Company (including but not limited to the Relevant Shares) beneficially owned by it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan;

HISTORY, DEVELOPMENT AND REORGANISATION

- (2) within the Pre-IPO Investor Lock-up Period, it shall:
 - (i) if and when it pledges or charges any Relevant Shares beneficially owned by it in favour of an authorised institution pursuant to paragraph (1) above, immediately inform our Company in writing of such pledge or charge together with the number of such Relevant Shares so pledged or charged; and
 - (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the Relevant Shares pledged or charged by it will be disposed of, immediately inform our Company in writing of such indications; and
- (3) notwithstanding any provision in the Deed of Lock-up Undertaking, the Pre-IPO Investor is free to purchase additional securities of our Company and dispose of the securities thus purchased during the Pre-IPO Investor Lock-up Period.

Notes:

1. For illustration purposes only, based on the indicative Offer Price range, the investment cost per Share represents a discount of approximately 28.5% to HK\$1.30 per Offer Share, being the lower end of the indicative Offer Price range, and a discount of approximately 33.6% to HK\$1.40 per Offer Share, being the high end of the indicative Offer Price range.
2. Assuming the completion of the Capitalisation Issue and the completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of options which may be granted under the Share Option Scheme).

In addition to the terms described above, the Pre-IPO Investor has been granted the following special rights, all of which will be terminated upon Listing:

Information right : The Pre-IPO Investor and its representative(s) and adviser(s) shall be allowed access during business hours with as little disruption to the operations of our Group as possible to examine the accounting books and records of our Group and to discuss our Group's affairs with our Directors and senior management.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Company shall deliver or procure the delivery to the Pre-IPO Investor and its representative(s) and adviser(s) the correspondences, submissions, email correspondences and other documents in relation to the Listing exchanged between our Company, the Sole Sponsor, the Stock Exchange and/or the SFC on a quarterly basis and at least five business days before the Maturity Date. The first quarterly period shall commence from the date of the Subscription Agreement.

- Minority consent : Unless (1) with the prior consent of the Pre-IPO Investor; (2) required pursuant to the Reorganisation; or (3) in the case of any further fund raising exercise (other than the allotment and issue of new Shares to the public in connection with the Listing) either via issuance of new Shares, sale of existing Shares or issuance of securities convertible into Shares or loan capital at a price not less than the price paid by the Pre-IPO Investor for the Subscription Shares and provided that the percentage of shareholding of the Pre-IPO Investor in our Company immediately after completion of such fund raising exercise will remain at 6.54% on a fully diluted basis without incurring additional cost or fee by the Pre-IPO Investor, our Company has undertaken that:
- (a) no change shall be made in its authorised or issued share capital nor shall any option or right to subscribe be granted to any person in respect of any share capital of our Company and no securities convertible into such share or loan capital of our Company shall be issued or agreed to be issued;
 - (b) no alteration shall be made in the Memorandum and Articles of our Company or the rights attaching to any class of shares of our Company. For the avoidance of doubt, this provision shall not prevent our Company from amending the Memorandum and Articles in compliance with the applicable laws, regulations and rules for the purposes of the Listing;
 - (c) no resolution shall be passed for the winding up or administration of our Company nor shall any of the shareholders present or cause to be present any petition for the winding up or administration of our Company;

HISTORY, DEVELOPMENT AND REORGANISATION

- (d) our Company shall not agree to:
 - (i) acquire interest in any company, firm, association or entity nor effect or permit the disposal, dilution or reduction of its interest, directly or indirectly, in any subsidiary or any company, firm, association or entity in which it holds any equity interest; and
 - (ii) dispose of all or a material part of its business, undertaking or assets; and
- (e) no act or event shall occur in relation to any member of our Group which is analogous to or has any substantially similar effect to any of the acts or events referred to in paragraphs (a) to (d) above.

Background of the Pre-IPO Investor

Perfect Growth Limited was incorporated in Hong Kong with limited liability on 12 December 2012 and the entire interest in Perfect Growth Limited is held by Lucky Famous Limited, which in turn is wholly owned by GET Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8100) (“**GET Holdings**” and together with its subsidiaries are collectively referred to as “**GET Holdings Group**”). Based on its third quarterly report for the nine months ended 30 September 2019, GET Holdings Group is principally engaged in (i) research, development and distribution of personal computer performance software, anti-virus software, mobile phone applications and toolbar advertisements; (ii) the operation of a business-to-customer online sales platform, and the business-to-business product trading; (iii) securities investment; and (iv) provision of corporate management solutions and information technology contract services, and the Pre-IPO Investor is a securities investment company. Mr. Wong Jing Shong, the controlling shareholder, chairman and executive director of GET Holdings, is a businessman actively involved in the investment in information technology business. He has been the director of Aerophant Capital Management Co.,Ltd (飛象資本管理有限公司), a company engaged in venture capital business, since June 2018. He has also been a partner of Wuhu Qi Chen Management Co., Ltd.* (蕪湖啟晨投資管理有限責任公司) (“**Wuhu Qi Chen**”) since November 2016. He has also been a director of each of EPRO Systems (HK) Limited (“**EPRO Systems**”), EPRO Systems (China) Limited, EPRO Technology Limited and EPRO Limited since July 2017, the chief executive officer of EPRO Systems since January 2018 and a director of EPRO (UK) Limited since May 2018, all of which are subsidiaries of Concord-Linked Limited (together with its subsidiaries, referred to as the “**Concord Group**”). Concord-Linked Limited is a subsidiary of Hang Tai Yue Group Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8081). He is also the chief executive officer of the Concord Group and a director of Concord-Linked Limited. Wuhu Qi Chen and the Concord Group are both principally engaged in information technology business. Mr. Wong Jing Shong acquired the shares of GET Holdings from open market and became the controlling shareholder of GET Holdings on 6 June 2018.

HISTORY, DEVELOPMENT AND REORGANISATION

Ms. Wong Han Yu Alice was introduced to GET Holdings through mutual acquaintance in 2019 after which Ms. Wong Han Yu Alice, our Controlling Shareholder, chairperson of our Board and Executive Director, explored the possible investment opportunities in our Group with the representative of GET Holdings as our Company was actively seeking passive investor in the market with terms that are in the best financial interests of our Company and Shareholders as a whole to provide additional funding for our general working capital and payment of expenses in connection with the Listing. Save for the Pre-IPO Investment, there is no other relationship, agreement or arrangement between the Pre-IPO Investor and our Group, and the Pre-IPO Investor and its shareholders had not carried out any negotiation with the Controlling Shareholders to further sell or acquire the Shares.

Having considered the recent development of the construction engineering industry in the PRC as well as the business performance of our Group, the directors of GET Holdings are of the view that our Group offers great development potential and hence the Pre-IPO Investment represents a valuable investment opportunity. The consideration for the Pre-IPO Investment by the Pre-IPO Investor was funded by the internal resources of the GET Holdings Group.

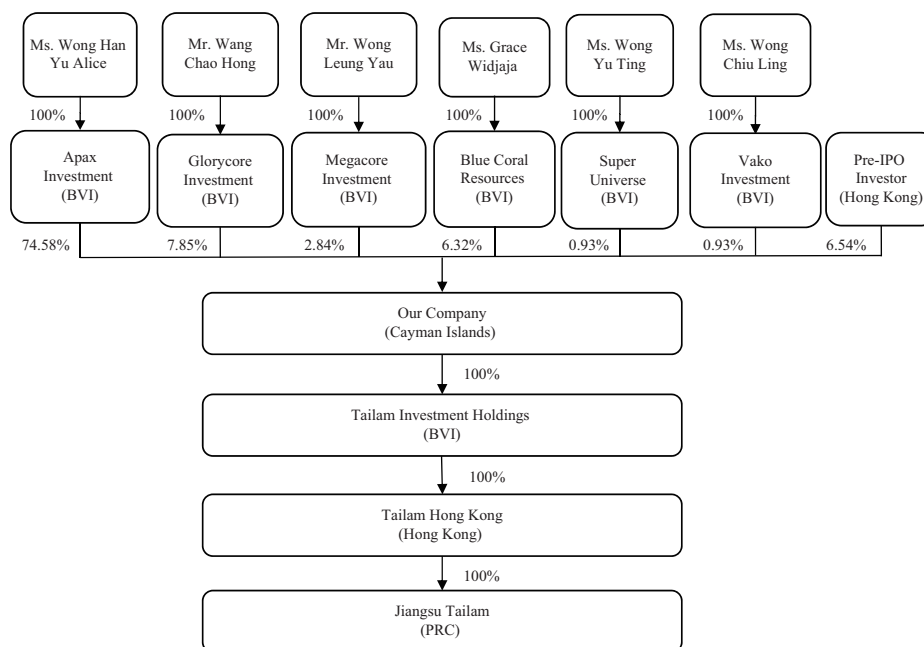
Save for the Pre-IPO Investment, to the best knowledge of our Directors, Mr. Wong Jing Shong is an Independent Third Party, hence the Shares held by the Pre-IPO Investor will be regarded as being “in public hand” for the purpose of Rule 8.24 of the Listing Rules and be counted as part of the public float to be maintained by our Company upon Listing in accordance with Rule 8.08 of the Listing Rules.

Confirmation from the Sole Sponsor

After reviewing the terms of the Subscription Agreement and given that (i) our Directors confirmed that the terms of the Pre-IPO Investment (including the consideration) were determined on arm’s length basis; and (ii) there has been at least 120 days between the Completion and the Listing Date, the Sole Sponsor confirms that the pre-IPO investment is in compliance with the Guidance Letters HKEX-GL29-12 (January 2012) (updated in March 2017), HKEX-GL-43-12 (October 2012) (Updated in July 2013 and March 2017) and HKEX-GL44-12 (October 2012) (Updated in March 2017) issued by the Stock Exchange.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately after the completion of the Pre-IPO Investment:



Loan Waiver

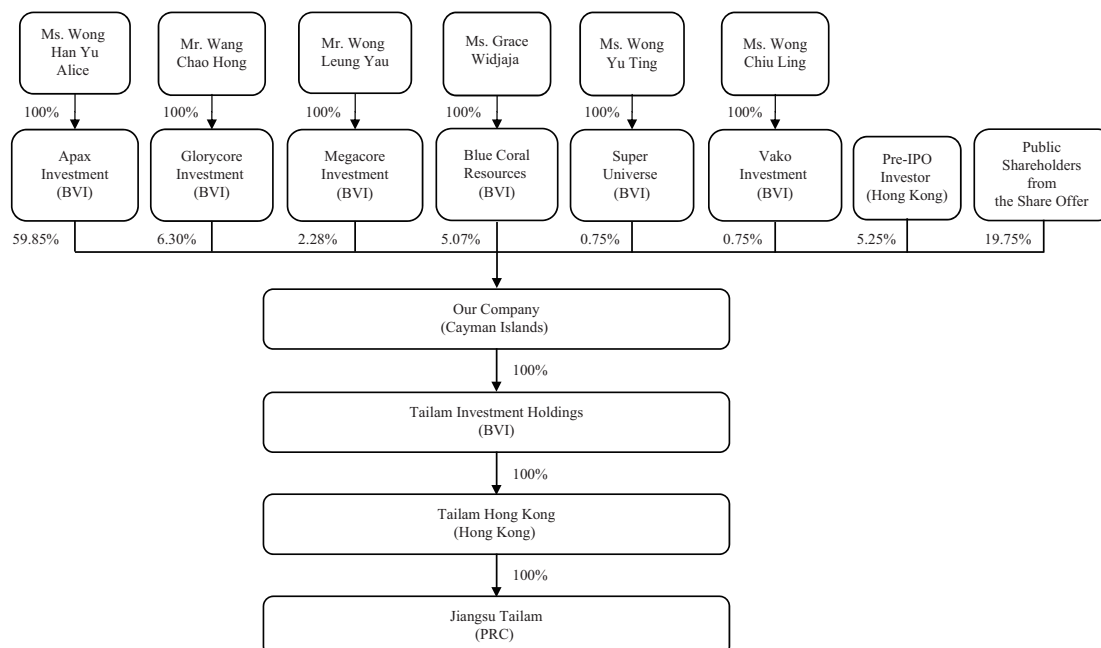
On 2 April 2019, Tailam Hong Kong and Ms. Wong Han Yu Alice entered into a loan waiver deed (the “**Loan Waiver Deed**”) pursuant to which Ms. Wong Han Yu Alice agreed to waive the non-interest-bearing loan due and payable by Tailam Hong Kong to her in the aggregate sum of RMB50,168,000, conditional upon the Listing (the “**Loan Waiver**”).

Capitalisation Issue

Conditional on the share premium account of our Company being credited as a result of the Share Offer, certain amount standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par certain number of Shares for allotting and issue to the then existing Shareholders whose names appear on the register of members of our Company. Such number of Shares to be allotted and issued, together with the number of Shares held by existing shareholders, and excluding the Shares held and allotted and issued to the Pre-IPO Investor, shall not exceed 75% of the enlarged issued share capital of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme):



NEEQ VALUATION, NEGOTIATED PRE-IPO VALUATION AND IPO VALUATION

Based on (i) the last transacted price of Jiangsu Tailam shares of RMB6.00 per share; and (ii) the then outstanding number of issued shares of Jiangsu Tailam of 55,000,000 shares, both as at the date immediately prior to its delisting from the NEEQ, the valuation of Jiangsu Tailam immediately before its delisting from the NEEQ was approximately RMB330.0 million (equivalent to approximately HK\$383.7 million) (the “**NEEQ Valuation**”).

Our Company and the Pre-IPO investors, after arm’s length negotiations, proceeded with the Pre-IPO Investment at a commercially negotiated valuation of our Group of approximately HK\$298.2 million (the “**Negotiated Pre-IPO Valuation**”).

Our Board have adopted an IPO valuation of our Group of approximately HK\$520.0 million to HK\$560.0 million upon Listing (the “**IPO Valuation**”), which is higher than the NEEQ Valuation and the Negotiated Pre-IPO Valuation.

HISTORY, DEVELOPMENT AND REORGANISATION

Difference between the NEEQ Valuation and the IPO valuation

The NEEQ Valuation represents an implied discount of approximately 26.2% – 31.5% to the IPO Valuation (without taking account any Shares which may be allotted and issued pursuant to the Over-allotment Option). For the IPO Valuation, our Directors have taken into consideration of the following factors:

- (i) for the Share Offer, our full year 2018 financial results are made available for assessment by the potential investors in making their decision to invest in our Company while in respect of the NEEQ Valuation, when the Jiangsu Tailam shares were last transacted, only the full year 2017 financial results were available. For FY2018, our Group's revenue and net profit (after excluding Listing expenses) increased by approximately 52.1% and 43.0% to approximately RMB454.2 million and RMB39.5 million, respectively;
- (ii) the NEEQ is a market in the PRC open to qualified investors only. In contrast, the Stock Exchange could offer us a direct access to the international capital markets, and broaden our Shareholders base;
- (iii) the NEEQ is a market in the PRC that adopts market maker, negotiated transfer or investor competing transfer trading mechanism. In contrast, the Stock Exchange adopts continuous auction mechanism that facilitates investor discovery and orders execution. The nature of the NEEQ and its low trading volume make it difficult to (a) identify and establish the fair value of our Company that reflect its differentiation from competitors; (b) raise funds publicly to support our business growth; and (c) execute substantial on-market disposals by shareholders to realise value;
- (iv) the competitive strengths of our Group; and
- (v) our Group's strategies and future plans in achieving its targeted growth in revenue and profitability in the coming years.

Difference between the Negotiated Pre-IPO Valuation and the IPO Valuation

The Negotiated Pre-IPO Valuation represents an implied discount of approximately 42.7%–46.8% to the IPO Valuation (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option). For the IPO Valuation, our Directors have taken into consideration of the following factors:

- (a) the competitive strengths of our Group;
- (b) our Group's strategies and future plans in achieving its targeted growth in revenue and profitability in the coming years;

HISTORY, DEVELOPMENT AND REORGANISATION

- (c) for the Pre-IPO Investment, 15 companies (the “**Sampled Hong Kong-listed Companies**”) listed on the Stock Exchange from 1 January 2018 and up to 25 March 2019, the date of the Completion, with market capitalisation of not more than HK\$1.0 billion that had raised pre-IPO investment, were identified and our Directors noted that the implied discount of the Negotiated Pre-IPO Valuation (i.e. approximately 42.7% to 46.8%) was within range and lower than the average discount rate of the Sampled Hong Kong-listed Companies of approximately 50.7%. Accordingly, our Directors are of the view that the implied discount of the Negotiated Pre-IPO Valuation is not unreasonable;
- (d) at the point of the Pre-IPO Investment, our Shares were neither listed on the NEEQ nor the Stock Exchange and a reasonable discount for lack of marketability of the Shares at the time of the Pre-IPO Investment was applied;
- (e) at the point of the Pre-IPO Investment, there is uncertainty as to whether or not the Shares will be successfully listed on the Stock Exchange; and
- (f) the risk appetite of the Pre-IPO Investor which affects the extent of discount acceptable to such Pre-IPO Investor.

COMPLIANCE WITH THE PRC LAWS

The Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors in the PRC

Pursuant to the *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “**Circular 10**”) jointly issued by the Ministry of Commerce of the PRC (中華人民共和國商務部) (the “**MOFCOM**”), the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation (國家稅務總局) (the “**SAT**”), the China Securities Regulatory Commission (中國證券監督管理委員會) (the “**CSRC**”), the State Administration of Industry and Commerce and the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (the “**SAFE**”) on 8 August 2006 and effective as at 8 September 2006 and amended in 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

HISTORY, DEVELOPMENT AND REORGANISATION

As confirmed by our Directors, our Company is an offshore incorporated company. Jiangsu Tailam was incorporated as a wholly-foreign owned enterprise by two Hong Kong residents and was converted into a sino-foreign enterprise/company since the investment of Shenzhen Rongxin in Jiangsu Tailam before it re-converted into a wholly-foreign owned enterprise following the Shares Repurchase Exercise. For further details, please refer to paragraphs headed “Reorganisation — Onshore Reorganisation — Step 1: Acquisition of entire interest of the NEEQ public shareholders in Jiangsu Tailam by Shenzhen Rongxin” and “Reorganisation — Onshore Reorganisation — Step 2: Privatisation of Jiangsu Tailam and Repurchase of Shares from Shenzhen Rongxin and Lin Qisheng” in this section. Accordingly, the acquisition of Tailam Hong Kong by Tailam Investment Holdings did not constitute an equity or asset merger under the Circular 10 and shall be subject to Provisions for the Alteration of Investor’s Equities in Foreign-funded Enterprises (《外商投資企業投資者股權變更的若干規定》).

Our legal advisers as to PRC law are of the opinion that the Reorganisation, including all the share transfers, the privatisation and the Shares Repurchase Exercise; and the de-registration of Jiangsu Hongji Zhaoye, in respect of the PRC companies in our Group as described above have obtained all relevant approvals and permits and the procedures involved comply with the PRC laws and regulations.

SAFE Registration in the PRC

Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) was promulgated by the SAFE on 14 July 2014 and took effect on the same day. According to the Circular 37, a domestic resident (including PRC individuals and institutions) shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, register with the SAFE or its local branch to effect foreign exchange registration.

Our legal advisers as to PRC law are of the opinion that, since none of the Existing Tailam Hong Kong Shareholders are PRC individuals, no registration with SAFE or its local branch pursuant to the Circular 37 is required for the transfer of the entire issued and paid-up capital of Tailam Hong Kong by the Existing Tailam Hong Kong Shareholders to Tailam Investment Holdings, beneficially owned by the Existing Tailam Hong Kong Shareholders before the Pre-IPO Investor invested in our Company.

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OVERVIEW

We manufacture and sell PHC piles and commercial concrete in the PRC. We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC. Our PHC piles are mainly sold to customers under our own trademark **TAYLAM** and both the PHC piles and commercial concrete are primarily used in buildings and infrastructure projects. During the Track Record Period, our products are mainly sold to property developers and construction companies in Jiangsu Province.

The table below sets forth our revenue by customer type for the periods indicated:

<u>Types of customers</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>6M2018</u>	<u>6M2019</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>(unaudited)</i>	
Construction companies	100,647	295,640	447,117	176,668	232,090
Property developers	22	493	6,556	15,125	33,545
Others (individual customers)	847	2,521	517	136	5,639
Total	<u>101,516</u>	<u>298,654</u>	<u>454,190</u>	<u>191,929</u>	<u>271,274</u>

PHC piles are widely used in construction site for civil foundation works. Comparing to normal pre-stressed concrete pile, PHC pile has high loading capacity, high strength, good penetration power and high corrosion resistance. According to the F&S Report, there were over 40 PHC pile manufacturers in Jiangsu Province as at 31 December 2018. The top five market players accounted for around 83.6% of the total production volume in Jiangsu Province in 2018. Our market share in Jiangsu Province in 2018 was approximately 2.7% and 3.2% in terms of PHC pile production volume and sales revenue, respectively. According to the F&S Report, we ranked sixth in terms of both PHC pile production volume and sales revenue in Jiangsu Province in 2018.

Our other product, commercial concrete, is a basic building material that is used in almost all construction projects. Commercial concrete is a low maintenance building material, versatile and easy to shape. According to the F&S Report, there were more than 900 commercial concrete manufacturers in Jiangsu Province as at 31 December 2018. The commercial concrete industry in Jiangsu Province is very fragmented, with the top five market players accounting for around 8.4% of the total production volume in Jiangsu Province in 2018. Our Group had a market share of approximately 0.1% and 0.2% in Jiangsu Province in 2018 in terms of commercial concrete production volume and sales revenue, respectively.

Our business has experienced a significant growth during the Track Record Period. Our revenue was approximately RMB101.5 million, RMB298.7 million, RMB454.2 million, RMB191.9 million and RMB271.3 million, respectively for FY2016, FY2017, FY2018, 6M2018 and 6M2019. Our net profit was approximately RMB9.9 million, RMB27.6 million, RMB34.0 million, RMB19.8 million and RMB16.5 million, respectively for FY2016, FY2017, FY2018, 6M2018 and 6M2019.

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During the Track Record Period, the breakdown of our average selling price, sales volume and revenue by product categories is as follows:

	FY2016			FY2017			FY2018			6M2018			6M2019		
	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue
	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ² in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ² in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ² in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ² in the case of commercial concrete)	(RMB'000)	(RMB per metre/m ³)	(metre in the case of PHC or square piles/m ² in the case of commercial concrete)	(RMB'000)
PHC pile	104.6	512,820	53,652	144.8	1,095,529	158,613	193.4	1,194,184	230,922	195.7	665,034	130,138	188.4	595,489	112,219
Square pile – sourced from other suppliers	109.1	449	49	103.6	1,796	186	165.6	12,277	2,033	-	-	-	160.4	7,211	1,157
Square pile – manufactured by our Group	-	-	-	-	-	-	150.7	2,342	353	-	-	-	-	-	-
Subtotal	104.6	513,269	53,701	144.7	1,097,325	158,799	193.0	1,208,803	233,318 ⁽²⁾	195.7	665,034	130,138	188.1	602,700	113,376
Commercial concrete	321.4	148,760	47,815	368.2	379,795	139,855	430.3	513,246	220,872	438.6	140,885	61,791	440.2	358,729	157,898
Total			<u>101,516</u>			<u>298,654</u>			<u>454,190</u>			<u>191,929</u>			<u>271,274</u>

Notes:

- (1) Average selling price is calculated by dividing (i) our revenue derived from sales of these products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.
- (2) A miscellaneous revenue of approximately RMB10,000 is included.

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During the Track Record Period, we had produced square piles on a trial basis as the production process is very similar to that of PHC piles. The revenue attributable to the sale of square piles during the Track Record Period was immaterial but nevertheless encouraging. For details, please refer to the paragraph headed “Our strategies — Expand our production facilities” in this section.

Below are our Group’s major products:



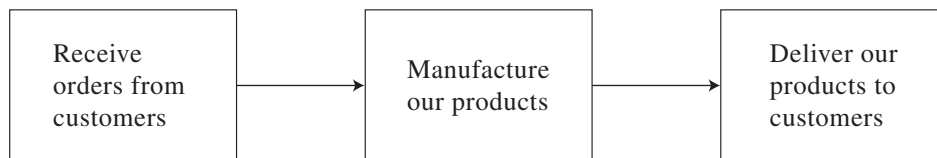
(1) PHC pile



(2) Commercial concrete

OUR BUSINESS MODEL

Manufacture and sale of PHC piles and commercial concrete



Our principal products are PHC piles and commercial concrete, which are mainly produced and sold by our Group.

For commercial concrete, we usually produce the required amount of commercial concrete after receiving orders from customers, who are required to place order with us on the previous day. For PHC piles, we also produce the required number of PHC piles after receiving orders from the customers. We usually require our customers to place orders for PHC piles one day before the expected date of delivery. Our Group also produces PHC piles with the most common specifications based on our estimation of market demand and sales orders.

Commercial concrete as a semi-finished product and produced by our Group, is usually transported by third party concrete mixer trucks to our customers’ designated sites.

We store our PHC piles in our own storage yard. We are not responsible for the transportation of PHC piles to the relevant sites.

Occasionally, our customers will require us to enter into contract with the transportation company, so that they do not need to enter into multiple contracts with different parties. Under this arrangement, our contract price will include the transportation fee and we will pay the transportation company for their services.

Pre-delivery inspection, on-site support and sample testing

As part of our services, our sales personnel will coordinate with our customers on delivery arrangement. Our sales personnel in our sales department will inspect the transportation route of the delivery place before the delivery. If the road surface is in a poor condition which may cause damage to the PHC piles during transportation, we will require the customer to improve the road surface for us to safely deliver the products.

Our sales personnel will be on-site on the date of delivery of commercial concrete to ensure our services satisfy the requirements of customers and to follow-up on the schedule of delivery.

Right before delivery of commercial concrete, our technical personnel will take samples from the outgoing batch. Tests will be conducted on these samples. If the customer complains regarding the quality of our commercial concrete, we shall cross-check our test results. If the test results confirm that the customer has a valid complaint, the sales personnel will negotiate with the customer on ways to rectify the problem.

Location of our primary market

Throughout the Track Record Period, we generate all our revenue in the PRC. Due to the nature of commercial concrete which is a semi-finished product that will harden over time, the increase in transportation time will have a negative impact on the quality of concrete. We therefore concentrate our sale of commercial concrete (except for those produced by a subcontractor in Shanghai) mainly in Nantong within the Jiangsu Province, where there is strong demand for commercial concrete, during the Track Record Period.

As for our PHC piles, there is also strong demand for them in the Jiangsu Province and our production is insufficient to meet the market demand in Jiangsu Province alone.

OUR STRENGTHS

We believe that our competitive strengths include the following:

Stable relationship with our key customers

We have stable business relationships with our key customers and many of which has over five years of relationship with us. Among our five largest customers during the Track Record Period, we have been providing products to them for a period ranging from approximately one to six years. Having good and stable business relationship with customers is important as our customers are generally inclined to purchase PHC piles and commercial concrete from suppliers who have been doing business with them for a long time and maintaining a good standard of products' quality. To the understanding of our Directors, customers may still occasionally purchase PHC piles and commercial concrete from new suppliers given that such potential suppliers satisfy their selection criteria. A good and stable business relationship will also open doors for referral opportunities. In February 2018, we entered into a legally binding strategic agreement with Customer G pursuant to which Customer G guaranteed to purchase not less than 500,000 metres of PHC piles from us within approximately 12 months. For further details, please refer to the paragraph headed "Customers — Key contract terms with a strategic partner" in this

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section. For 6M2019, we have entered into six strategic agreements with other six customers for a one-year term, and we have entered into a new strategic agreement with Customer G on terms similar to the other six strategic agreements. For details, please refer to the section headed “Financial Information — Strategic agreements” in this prospectus.

Our commitment to maintain quality control, safety standard and environmental protection

We place considerable emphasis to maintain quality control, safety standard and environmental protection as they can directly affect our reputation, service quality and profitability. They are also among our customers’ key assessment criteria in selecting PHC pile and commercial concrete supplier.

In selecting suppliers of raw materials, we require the suppliers to provide the relevant quality control certificates such as quality management systems. We also require the suppliers to provide copies of their business licences where applicable, as we do not do business with illegal suppliers. In addition, we will request trial samples of the raw materials before we place orders with such suppliers. We will perform tests against the raw materials again when the purchase order is placed and after delivery of the raw materials.

Our management system was certified in accordance with the standard required under ISO9001:2015 (quality management). We are also applying for certification in relation to OHSAS18001:2007 (occupational health and safety management) and ISO14001:2015 (environmental management). Further, samples of both commercial concrete and PHC piles are examined by a qualified inspection institution around every six months to ensure that our products comply with the applicable standards. During the Track Record Period, no material negative findings had been identified by the qualified inspection institution. Our Directors believe that our effective quality management, occupational health and safety management and environmental management systems as well as good compliance track record would enable us to have a good publicity and reduce our exposure to potential claims and improve our overall product quality and profitability.

Flexible and pro-active sales service enjoyed by our customers

According to the F&S Report, unlike most of our competitors who require their customers to place orders for PHC piles and commercial concrete at least three days before the delivery date, we only require our customers to place orders for our PHC piles and commercial concrete with us one day before the expected date of delivery. This allows our customers to enjoy a higher degree of flexibility.

After completion of each order, we will designate a sales personnel to provide pro-active after-sales service to our customers. The sales personnel will contact our customers after delivery of our products to understand if there is any issue concerning our products and receive feedback, if any, from our customers in order to allow us to continually improve our products and increase our competitiveness in the market. The designated sales personnel also serves as the contact points for our customers if they have identified any problems at any time. A site visit will be performed by our sales personnel on the delivery date in the case of our commercial concrete. We believe our pro-active after-sales service has increased the confidence of our customers in our products, and feedback collected through our pro-active after-sales service will also help us improve our products and better understand the needs of our customers, which in turn will increase our competitiveness.

Our experienced management team has provided us with a competitive edge

The majority of the members in our senior management team have been with us for approximately four years. They possess solid industry knowledge, extensive operation experience and have a proven track record as evidenced by the rapid growth of our Group. In particular, our Executive Director and chairperson of our Board, Ms. Wong Han Yu Alice has more than 13 years of experience in business management. Other members of our senior management team also have significant experience in key aspects of our operations, including management, financial and accounting management and planning and overseeing daily administration of our Group. Furthermore, our key staff involved in the technical department have relevant experience in the commercial concrete and PHC pile industry for more than 10 years on average. We believe the industry knowledge and technical expertise of our management team as well as our other experienced staff have been, and will continue to be, our important assets and will continue to contribute to our results of operations.

OUR STRATEGIES

We aim to further strengthen our established market position in Nantong, Jiangsu Province and continue to grow our revenue and net profit. To achieve this goal, we plan to pursue the following strategies:

Expand our production facilities

Production line for manufacturing commercial concrete

During the Track Record Period, the utilisation rates of commercial concrete production lines increased sharply from approximately 37.3% for FY2016 to approximately 81.4% for FY2018, and from approximately 35.2% for 6M2018 to approximately 59.5% for 6M2019. For details, please refer to the paragraph headed “Production operations and facilities — Utilisation” in this section. According to the F&S Report, due to the rapid growth of infrastructure investment and the implementation of national regional development strategies, the demand for commercial concrete are predicted to maintain solid growth.

In light of the above, we plan to expand the production facilities in Qidong City, Nantong, Jiangsu Province by establishing one additional production line for the manufacture of commercial concrete with an annual production capacity of 250,000 m³.

It is expected that the total construction costs for the additional production line for manufacturing commercial concrete will be approximately HK\$8.1 million, which will be funded by the net proceeds of the Share Offer, and we expect that the new production line for manufacturing commercial concrete will commence operation in the second quarter of 2020.

Production line for manufacturing square piles

During the Track Record Period, we had produced square piles on a trial basis. A square pile is very similar to a PHC pile, but with a cross section that is a square, as opposed to the tubular appearance of a PHC pile. The production process of a square pile is also very similar to a PHC pile, and mainly involves the use of different moulds.

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The table below sets forth the breakdown of revenue, gross profit and gross profit margin by our Group's PHC piles and square piles during the Track Record Period:

	FY2016			FY2017			FY2018			6M2018			6M2019		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
PHC pile	53,653	5,682	10.6	158,613	22,813	14.4	230,922	42,186	18.3	130,138	28,398	21.8	112,219	20,831	18.6
Square pile – sourced from other suppliers	48	(1)	(2.0)	186	-	-	2,033	95	4.7	-	-	-	1,157	48	4.1
Square pile – manufactured by our Group	-	-	-	-	-	-	353	55	15.6	-	-	-	-	-	-
Total	<u>53,701</u>	<u>5,681</u>	10.6	<u>158,799</u>	<u>22,813</u>	14.4	<u>233,318</u> ⁽¹⁾	<u>42,336</u>	18.1	<u>130,138</u>	<u>28,398</u>	21.8	<u>113,376</u>	<u>20,879</u>	18.4

Note:

- 1 A miscellaneous revenue of RMB10,000 is included.

During FY2016, FY2017, FY2018, 6M2018 and 6M2019, the aggregate revenue generated from square piles were approximately RMB48,000, RMB0.2 million, RMB2.4 million, nil and RMB1.2 million, respectively. This was achieved by our Group without spending any substantial effort on the promotion and marketing of square piles, and the orders were from both new and existing customers on an unsolicited basis, which supports the strong demand for this product.

During the Track Record Period, our Group sourced majority of the square piles for its customers from other third party suppliers and sold them at minimal or slightly negative margin primarily because:

- (a) it would lead to cross selling opportunities for our PHC piles and commercial concrete;
- (b) in addition to new customers, the orders for square piles also came from existing customers and we wanted to maintain good relationship with them;
- (c) the impact of the square pile sale to the corresponding customers' individual gross profit was immaterial;
- (d) we want to explore the market potential of square piles and tried to understand more about the competitive landscape, quality expectation, most common specification and price range acceptable to customers, and so we did not put too much emphasis on profitability during this learning process; and
- (e) that there were only limited windows for us to use the PHC pile production line to produce square piles on a trial basis without causing disruption to the normal production schedule for PHC piles.

The selling price and quality of the square piles manufactured by our Group or sourced from other suppliers during the Track Record Period were comparable.

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For those square piles sourced from other suppliers, our Group's cost was the price it paid to the suppliers which covered the costs of the suppliers' production plus a profit margin of the suppliers, and therefore the profit margin is lower than that of the square pile manufactured by our Group, the costs of which only included the costs of our Group's production.

For 6M2019, our Group was deploying its resources on the orders for PHC piles and commercial concrete. After taken into consideration that (i) the changing of moulds frequently would cause disruption to the normal production schedule for PHC piles; and (ii) the incremental gross profit margin generated by manufacturing inhouse would be immaterial compared to the potential losses that could have been caused by the disruption as described in (i) above, we continued to rely on third party suppliers to source the square piles for our customers rather than producing square piles from the PHC pile production line.

According to the F&S Report, the raw materials of square pile are similar to PHC pile and PHC pile and square pile have quite similar customer base. Although PHC pile and square pile can achieve the same purpose, whether PHC pile or square pile should be used for a particular project depends on the technical needs of the site.

Although all piles are used for the similar purpose namely to support the buildings or infrastructures above, different type of piles are used to meet different technical requirements based on, among other things, soil conditions and carry capacity. Whether a PHC pile or a square pile is required for a particular site or a particular area of the site is a matter to be decided by the relevant engineering experts based on technical needs.

Generally, foundation materials consisting of cohesive soil underlaid by a granular stratum would favour a straight sided pile (such as a square pile) to create the greatest possible skin friction area along the pile. Due to its relatively high shearing resistance, square piles are also suitable for the projects which have seismic requirements. Foundations subject to large lateral forces require piles that can sustain large bending forces. Cylindrical pre-stressed piles (such as the tubular PHC piles) with large vertical load and bending moment capacity are frequently used in such situation. Currently, both types of piles are widely used in the construction market. Because of the large difference in the cross-section between the two, they also differ in structural stress and mechanical properties.

Once the most suitable type of piles is determined by the engineering experts, it is not possible for the developer or construction company to change it at will, because the foundation works using the wrong type of piles may have serious structural safety concerns and will not pass relevant inspection by the government authority because the piles used are different from what is specified by the engineering experts. Accordingly, the demand for PHC piles of our Group will therefore not be adversely affected by its production of square piles, as someone who needs square piles will not buy PHC piles and someone who needs PHC piles will not buy square piles.

As at the Latest Practicable Date, we obtained letters of intent or demand indication from five existing customers with a consumption demand estimate of approximately 470,000 metres of square piles for 2020. Among these five customers, one of them had purchased square piles from our Group during the Track Record Period, Although our square pile production capacity is only expected to reach 400,000 metres in the first year after installation of the production line, for those demand over and above our production capacity, our Group will source from other suppliers. We had sourced square piles from other suppliers during the Track Record Period and do not expect any difficulty in sourcing square piles in the future.

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Also, according to the F&S Report, the production volume of square pile in Jiangsu Province is expected to increase at a stable pace with a CAGR of approximately 6.2% from 2019 to 2023, reaching approximately 15.9 million metres in 2023.

Our Group is confident that we can capture sufficient demand for square piles in Jiangsu Province notwithstanding the high concentration among the top five market players based on the following:

- (i) we will take a proactive approach to gather up-to-date market information in order to provide square piles that match up with what our Group's customers perceive as their needs. Our sales staff regularly communicates with existing and potential customers to obtain an understanding of their future plans, wants, needs and concerns. To keep abreast with the developments in square piles market, our sales department also gathers up-to-date market information, such as market prices, as well as any new rules and regulations from the PRC Government in relation to relevant products on a timely basis, who will then provide thorough analysis of the square pile market to our Group's management which will formulate further market development plans for square piles;
- (ii) according to the F&S Report, the performance and quality of concrete construction material directly affect the building, environment and even the safety of life and property. Downstream customers prefer concrete construction material enterprises with extensive project experiences and proven track records and tend to build long-term relationships with experienced concrete construction material enterprises. Our orders for square piles during the Track Record Period were from both existing and new customers on an unsolicited basis without any substantial effort on promotion and marketing on the part of our Group. This demonstrates that the customers prefer to work with someone they are familiar with and who has demonstrated the ability to deliver good quality products, instead of simply going for the largest suppliers in the market;
- (iii) our Group has obtained five letters of intent or demand indication from our existing customers for square piles in 2020, which clearly demonstrates our ability to capture sufficient demand despite the market concentration;
- (iv) as set out under the paragraph headed "Our strengths — Flexible and pro-active sales services enjoyed by our customers" in this section, our Group allows our customers to place order one day before the date of delivery, as opposed to at least three days before the expected delivery date as required by most of our competitors according to the F&S Report. This has helped us compete successfully against other PHC pile and commercial concrete suppliers in the past, and our Group believes such flexibility will also help compete against the players in the square pile market and capture sufficient demand for square piles; and
- (v) through our study of the square piles market characteristics (including the most popular specifications, price range that is acceptable to the potential customers, etc.) since 2016, we had managed to increase the sales volume of square piles from 449 metres in 2016 to 14,619 metres in 2018 (an increase of over 30 times) despite the market concentration.

BUSINESS

In light of the above, we plan to expand the production facilities in Qidong City, Nantong, Jiangsu Province by establishing one production line for the manufacture of square piles with an estimated production capacity of 400,000 metres in the first year of its operation due to the time required to fine-tune and optimise the production line, and to achieve an annual production capacity of 1.5 million metres when the production line is fully optimised.

The reason we plan to establish one production line for square pile as opposed to establishing another production line for PHC pile is that we want to increase our product range and reduce the risk of relying on limited types of products. It will also help our customers reduce their administrative burden if they can procure PHC piles and square piles from one single supplier.

Although the production lines for square piles and PHC piles are interchangeable, subject to the use of different moulds, frequent changing of moulds which are made of steel and each weighs around 3,000 to 6,000 kilograms will greatly reduce the efficiency and utilisation rate of the production line. In addition, our Group will encounter practical difficulty if we receive orders for PHC piles and square piles from different customers with similar delivery schedule. It therefore makes good commercial sense to build and designate a new production line for the production of square piles.

In addition, given the interchangeability of the production line for PHC piles and square piles (subject to the use of different moulds), depending on the demand for the PHC piles and square piles, our Group always has the flexibility of using the square pile production line to produce PHC piles, provided the pricing makes sense to our Group and no disruption will be caused to our Group's production plan to meet customers' orders for square piles.

We plan to compete with the existing players in the market through the following strategies:

- (i) before completion of the new square pile production line, maintain our market presence through a combination of small scale production utilising our existing PHC pile production line and outsourcing to third party suppliers;
- (ii) upon completion of the new square pile production line, organise social event(s) such as sport event(s) and invite our Group's existing customers who are construction companies and developers to participate. Furthermore, we will also attend publicity and promotional events organised by property developers. Through these activities, we will inform our existing and potential customers that our Group has a new square pile production line and increase their awareness of the new product of our Group, namely square piles;
- (iii) emphasise to the potential customers of the square piles in all our marketing efforts that they will enjoy a flexibility of placing order one day before the date of delivery;
- (iv) arrange site visit by our recurring/potential customers to demonstrate the production process and quality of our Group's square piles;
- (v) introduce our square piles to professionals such as architects and engineering experts who are sometimes asked by developers and construction companies to recommend products suitable for their projects; and
- (vi) cross sell our square pile actively to all existing customers as bundles with our existing product portfolio.

BUSINESS

It is expected that the total construction costs for the new production line for manufacturing square piles will be approximately HK\$12.8 million, which will be funded by the net proceeds of the Share Offer, and we expect that the new production line for manufacturing square piles will commence operation in the second quarter of 2020.

Estimated breakeven period and investment payback period for both new production lines

Our Directors believe that the offering of an additional product, namely the square piles, and the increase in our production capacity for commercial concrete will enable us to meet customers' demand and sustain our business growth in the future. Further, our Directors expect that the estimated breakeven period⁽¹⁾ for both production lines is approximately one month. The investment payback period⁽²⁾ of the production lines for manufacturing concrete and square piles are approximately 16 months and 18 months, respectively.

Notes:

- (1) Breakeven period is defined as the time period from the date of commencement of operation to the first month whereby revenue generated by the new production line can sufficiently cover its monthly operating expenses.
- (2) Investment payback period is defined as the time period whereby its accumulated net cash inflow is able to cover initial investment amount for its establishment.

Cement storage tank

As cement is a major raw material required for the production of PHC pile, square pile and commercial concrete, with the proposed establishment of two new production lines, it is expected that our demand for cement will increase substantially. We therefore plan to use approximately HK\$2.3 million from the net proceeds of the Share Offer to construct a cement storage tank to increase our storage capacity for this major raw material, so as to avoid any disruption to our production due to shortage of cement.

Cranes

We currently utilise the shoreline of a water channel flowing alongside our production facilities for unloading raw materials through the use of two cranes. With the proposed new production lines and the expected increase in the purchase of raw materials, we intend to use approximately HK\$2.4 million of the net proceeds from the Share Offer to purchase two more cranes to ensure efficiency of our raw material unloading operation.

Shoreline improvement works

We have recently obtained approval from relevant authorities for the use of a 300-metre shoreline of a water channel flowing alongside our production facilities currently used by us in accordance with the plan submitted by us in connection with our approval application. The approved plan requires the improvement of the shoreline currently used by us and the improvement works are expected to cost RMB6.6 million. We intend to use approximately HK\$7.0 million out of the net proceeds from the Share Offer to partially fund the improvement works. The improvement works are expected to be completed in the first quarter of 2020.

BUSINESS

Enhance and expand our workforce to keep up with our business expansion

We will seek to expand and enhance our workforce to support our business expansion.

Based on our experience for the operation of our current production lines, we also plan to recruit 44 additional staff, who will be outsourced workers, to operate the new production lines for square pile and commercial concrete, the breakdown of which are as follows:

Additional labour for the new production line for manufacturing square piles

Function	Estimated number to be recruited
Supervisor for the production line	1
Workers for the production line	25
Quality inspection officers	2
Maintenance personnels	3
Total	31

Additional labour for the new production line for manufacturing commercial concrete

Function	Estimated number to be recruited
Chief operator of concrete mixing station which forms part of the production line	1
Workers for the production line	6
Maintenance personnels	6
Total	13

Therefore, we intend to use approximately HK\$1.7 million out of the net proceeds from the Share Offer to partially pay for the remunerations and other benefits for the additional staff.

Further improve our environmental protection system

According to the F&S Report, technological innovation will continuously be applied in the production process of concrete construction materials in the future in response to the strict environmental protection policies of the PRC Government.

BUSINESS

The production of PHC piles, square piles and commercial concrete will generate a lot of dust and other air borne pollutants. We currently have a system in place to minimise the impact of our operation to the environment. For details, please refer to the paragraph headed “Environmental Compliance” in this section. In order to further improve our environmental protection system, we plan to use HK\$4.1 million out of the net proceeds of the Share Offer to construct/acquire and install the following:

- (i) a sand and gravel separator to retain sand and gravel from the extra concrete generated from our production so that they can be reused;
- (ii) a fully enclosed conveyor belt for the transportation of raw materials from the point of unloading to our warehouse. This will help to prevent dust and other airborne particles from being released to the open air during the transportation;
- (iii) a fully-automated machine for the cleaning of vehicles. We currently clean incoming and outgoing vehicles by hand. A fully-automated cleaning machine will increase our efficiency; and
- (iv) a warehouse for the storage of some of our raw materials which are currently stored in a warehouse which is only partially enclosed with dust and other airborne particles exposed to open air. The warehouse will be built on the site where the current office building and staff dormitory are situated. These buildings will be demolished once we complete construction of a complex building. For details, please refer to the paragraph headed “Production operations and facilities” in this section.

Further strengthen our sales and marketing capabilities

We believe effective sales and marketing strategies are important to the success of our business.

We intend to sponsor more sports events, continue to have billboards and digital marketing on search engines and publish advertising pamphlets and/or publicity video and will have outdoor signages in order to proactively promote our brand.

Therefore, we intend to use approximately HK\$3.5 million out of the net proceeds from the Share Offer to pay for the sales and marketing activities.

Continue to strengthen our production and operating capabilities by enhancing our ERP System

To better support our future business expansion, we plan to upgrade our ERP System by buying licences for additional modules to enhance our operating efficiency. These upgrades will aim at enhancing the management of our production and operation, thereby enabling us to offer and maintain our products in good quality, enhance the accuracy and efficiency of our production plan, reduce production lead time and improve our product development cycle. The upgrades will also allow us to perform real-time management of our financial data and enhance our cost management as well as the collaboration between our purchasing department and sales department. Therefore, we intend to use approximately HK\$2.3 million out of the net proceeds from the Share Offer for the upgrade of our ERP System.

BUSINESS

OUR PRODUCTS

Our principal products are PHC piles and commercial concrete.

PHC piles

We produce a wide range of PHC piles which differ in diameters (from 400 mm to 600 mm). Generally, the longer the diameter of PHC piles, the stronger their strengths. We customise the length of our PHC piles to meet the specific needs and/or requirements of our customers. The raw materials are mainly cement, sand, gravel and other additives which are mixed together to form concrete, which in turn will be used together with spiral ribs, pre-tensioned steel reinforcing bars, wires and end plates (also made with steel) to produce PHC piles.

The table below sets forth the principal types of PHC piles manufactured by our Group and their respective features and applications:

Product	Models	Price range during the Track Record Period	National standards	Application	Target customers
PHC piles	Generally three major models – Grade 400, Grade 500, and Grade 600, named after their diameters. Each major model has sub-models which differ in the thickness of the tube wall.	Approximately RMB73/metre to RMB299/metre	<ul style="list-style-type: none"> • GB/T 13476-2009 and/or • Su G03-2012 	Widely used in real estate construction, highway construction, railway construction, port terminal construction and water engineering construction, especially for building and infrastructure projects on unstable soil or soft soil.	<ul style="list-style-type: none"> • Construction companies; • Property developers; and • Infrastructure companies

Commercial concrete

We generally manufacture commercial concrete (except for those produced by a subcontractor in Shanghai) in our own production plant in Nantong, Jiangsu Province by mixing gravel, cement, sand and other additives. We have assigned different model numbers to our commercial concrete products, representing different strengths. We can also customise our commercial concrete based on customers' needs.

The table below sets forth the principal types of commercial concrete manufactured by our Group and their respective features and applications:

Product	Models	Price range during the Track Record Period	National standards	Application	Target customers
Commercial concrete	We have eight types of commercial concrete products, with model number C15, C20, C25, C30, C35, C40, C45 and C50, based on different strength when hardened, with C50 being the hardest.	Approximately RMB270/m ³ to RMB510/m ³	<ul style="list-style-type: none"> • GB50164-2011 and/or • GB14902-2012 	Widely used in buildings, bridges, highways, retaining walls, dams, channels, docks and other structures.	<ul style="list-style-type: none"> • Construction companies; • Property developers; and • Infrastructure companies

BUSINESS

The table below sets forth the breakdown of our average selling price, sales volume, revenue, gross profit and gross profit margin by product categories during the Track Record Period:

	FY2016					FY2017					FY2018					6M2018					6M2019				
	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit	Gross profit margin
	(RMB per metre/m ³)	(metre in the case of PHC piles/m ³ in the case of commercial concrete)	RMB'000	RMB'000	%	(RMB per metre/m ³)	(metre in the case of PHC piles/m ³ in the case of commercial concrete)	RMB'000	RMB'000	%	(RMB per metre/m ³)	(metre in the case of PHC piles/m ³ in the case of commercial concrete)	RMB'000	RMB'000	%	(RMB per metre/m ³)	(metre in the case of PHC piles/m ³ in the case of commercial concrete)	RMB'000	RMB'000	%	(RMB per metre/m ³)	(metre in the case of PHC piles/m ³ in the case of commercial concrete)	RMB'000	RMB'000	%
PHC pile	104.6	51,2820	53,652	5,682	10.6	144.8	1,095,529	158,613	22,813	14.4	193.4	1,194,184	230,922	42,187	18.3	195.7	665,034	130,138	28,398	21.8	188.4	595,489	112,219	20,831	18.6
Square pile - sourced from other suppliers	109.1	449	49	(1)	(2.0)	103.6	1,796	186	-	-	165.6	12,277	2,033	95	4.7	-	-	-	-	-	160.4	7,211	1,157	48	4.1
Square pile - manufactured by our Group	-	-	-	-	-	-	-	-	-	-	150.7	2,342	353	55	15.6	-	-	-	-	-	-	-	-	-	-
Subtotal	104.6	513,269	53,701	5,681	10.6	144.7	1,097,325	158,799	22,813	14.4	193.0	1,208,803	233,318 ⁽²⁾	42,337	18.1	195.7	665,034	130,138	28,398	21.8	188.1	602,700	113,376	20,879	18.4
Commercial concrete	321.4	148,760	47,815	16,066	33.6	368.2	379,795	139,885	28,882	20.7	430.3	513,246	220,872	37,131	16.8	438.6	140,885	61,791	10,174	16.5	440.2	388,729	157,898	24,131	15.3
Total			<u>101,516</u>	<u>21,747</u>	<u>21.4</u>		<u>298,654</u>	<u>454,190</u>	<u>51,695</u>	<u>17.3</u>		<u>454,190</u>	<u>38,572</u>	<u>79,468</u>	<u>17.5</u>		<u>191,929</u>	<u>45,010</u>	<u>20.1</u>			<u>271,274</u>	<u>45,010</u>	<u>16.6</u>	

Notes:

- (1) Average selling price is calculated by dividing (i) our revenue derived from sales of those products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.
- (2) A miscellaneous revenue of approximately RMB10,000 is included.

PRODUCTION OPERATIONS AND FACILITIES

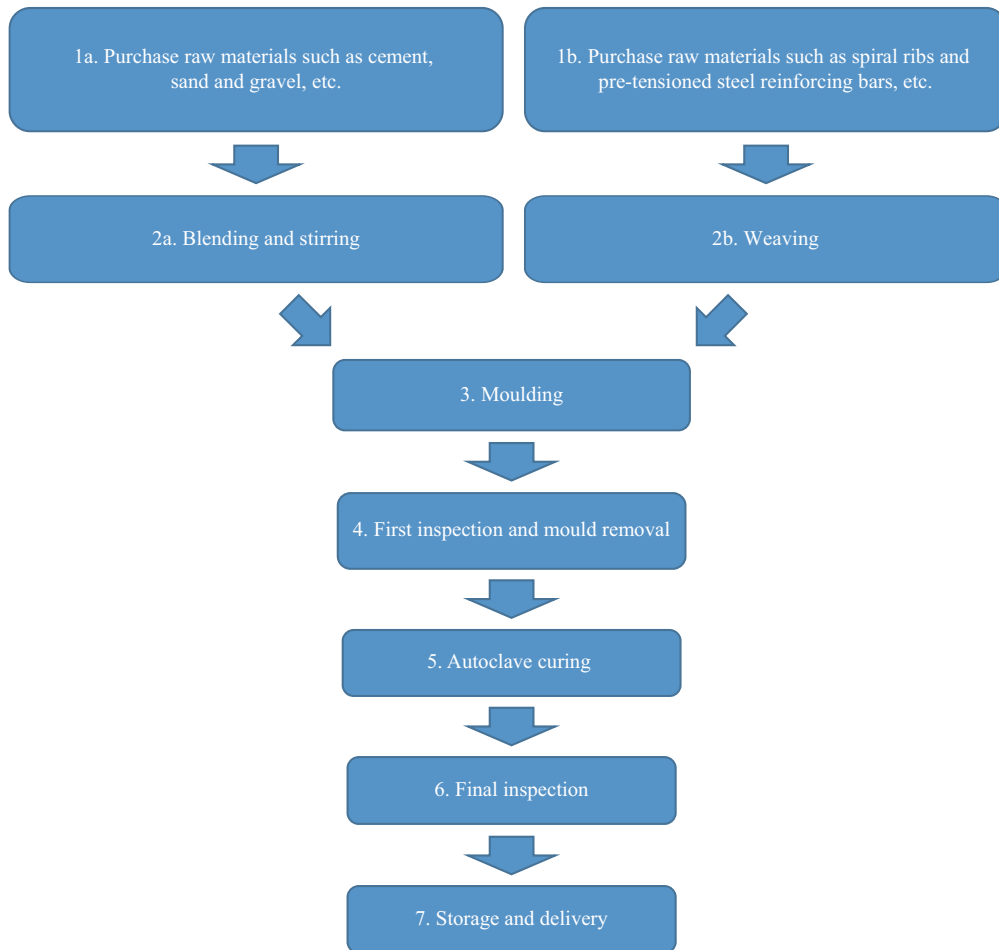
Our production premises are located at Qidong City, Nantong, Jiangsu Province, the PRC with an aggregate site area of 54,872 sq.m.. For further details, please refer to the paragraph headed “Properties” in this section.

Our production premises comprise a factory building, a storage yard, an office building and a staff dormitory. We are in the course of constructing a complex building, which will include office space, a common area, staff quarters and a canteen. Once it is completed, the existing office building and staff dormitory will be demolished and we will build a warehouse and the new commercial concrete production line on the vacated land. For details of our expansion plan, please refer to the paragraphs headed “Our strategies” in this section.

Production process

PHC piles and square piles

The production process of our PHC piles and square piles is as follows:



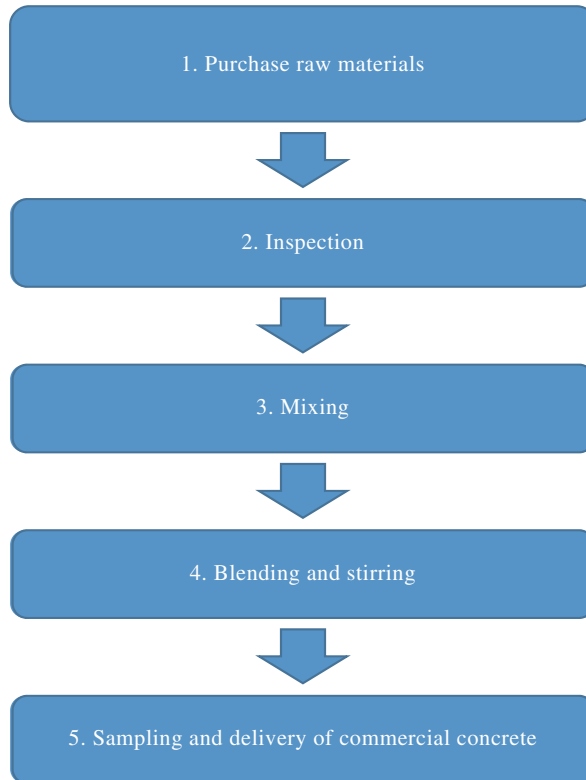
BUSINESS

- 1a. Purchase raw materials such as cement, sand and gravel, etc. – raw materials such as cement, sand, gravel and other additives are purchased and transported to our warehouse.
- 1b. Purchase raw materials such as spiral ribs and pre-tensioned steel reinforcing bars, etc. – raw materials such as spiral ribs, wires, pre-tensioned steel reinforcing bars and end plates are purchased and transported to our warehouse.
- 2a. Blending and stirring – cement, sand, gravel and other additives are blended and stirred to produce concrete.
- 2b. Weaving – spiral ribs, wires, pre-tensioned steel reinforcing bars and end plates are used to weave steel cage.
3. Moulding – the concrete and the weaved steel cage are put inside a mould. The mould is then stretched, spinned and cured by steam.
4. First inspection and mould removal – upon completing the first inspection, the mould will be removed for reuse.
5. Autoclave curing – after mould removal, the PHC pile or the square pile is cured by high pressure steam. The PHC pile or the square pile will harden when steamed. The time of curing by high pressure steam depends on the diameter of PHC pile. The larger the diameter of PHC pile or the square pile, the more time is needed for autoclave curing.
6. Final inspection – final inspection of the quality of PHC pile or the square pile will take place to ensure the quality of PHC pile or the square pile.
7. Storage and delivery – upon the completion of final inspection, PHC piles or square piles are stored in the storage yard and ready for delivery to customers.

BUSINESS

Commercial concrete

The production process of our commercial concrete is as follows:



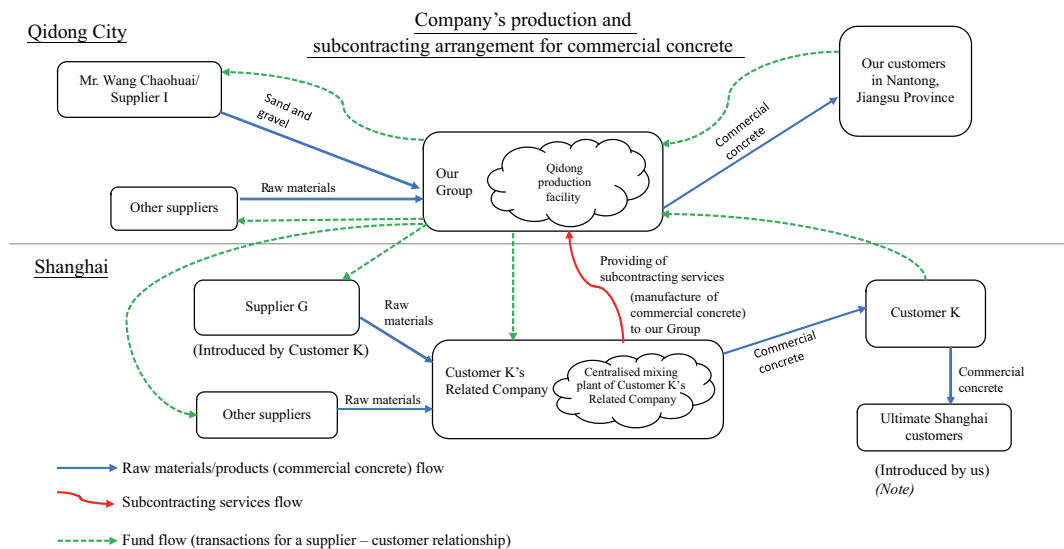
1. Purchase raw materials – raw materials including but not limited to cement, sand, gravel and other additives are purchased and transported to our warehouse.
2. Inspection – raw materials are inspected to ensure that their quality complies with contract specifications or requirements. The raw materials are properly kept in the warehouse thereafter.
3. Mixing – raw materials are mixed in a proportion according to pre-set formula for each type of our commercial concrete product.
4. Blending and stirring – raw materials are blended and stirred to produce the commercial concrete required.
5. Sampling and delivery of commercial concrete – samples of commercial concrete will be taken for testing as a matter of quality control. Upon the completion of sampling testing, our commercial concrete is ready for delivery to customers.

BUSINESS

Our production and subcontracting arrangement for commercial concrete

During the Track Record Period, we generally produced commercial concrete at our production premises located at Qidong City, Nantong, Jiangsu Province, the PRC for our customers mainly in Nantong, Jiangsu Province. While in FY2018 and 6M2019, we also engaged a subcontractor related to Customer K which was wholly-owned by the majority shareholder of Customer K at the material time to the best of the knowledge and belief of our Directors after making reasonable enquiries (the “**Customer K’s Related Company**”) to produce commercial concrete for us in Shanghai.

The diagram below illustrates our commercial concrete production in Qidong City and subcontracting arrangement in Shanghai:



Note: As the contract party with the ultimate Shanghai customers is Customer K, whether Customer K can successfully enter into contract with all of the referral customers are uncertain to our Group.

For further details of our business relationship with Mr. Wang Chaohuai and a company controlled by him, Supplier I, please refer to the paragraphs headed “Raw materials and suppliers — Suppliers — Mr. Wang Chaohuai” and “Raw materials and suppliers — Suppliers — Supplier concentration risk with Mr. Wang Chaohuai” in this section.

For further details of our subcontracting arrangement with Customer K’s Related Company and business relationship with Customer K, please refer to the paragraphs headed “Raw materials and suppliers — Suppliers — Subcontracting arrangements” and “Customers — Overlapping customer and subcontractor/supplier” in this section.

Production equipment

As at the Latest Practicable Date, our Group has one production line for the production of PHC piles which operates 24 hours per day; and our Group has two production lines (commenced operation in 2012 (on a trial run basis) and 2014, respectively) for the production of commercial concrete which operate 18 hours per day.

The key equipment used in our Group's production of PHC piles are universal bridge crane, electric single beam crane, cloth flat car, concrete mixing station (commenced operation in 2012 (on a trial run basis)), centrifuge, hydraulic tensioning machine, steaming pool, PC steel bar cutting machine, cage machine, drawing machine, gantry crane, gas boiler, stone washing machine, screw air compressor and freezer dryer.

The key equipment used in our Group's manufacturing of commercial concrete is concrete mixing station.

Our Group has an in-house maintenance team which comprises 12 members and is responsible for the management and maintenance of our Group's equipment.

During the Track Record Period and up to the Latest Practicable Date, there has been no material disruption at our Group's production facilities.

During FY2016, FY2017, FY2018, 6M2018 and 6M2019, our Group incurred capital expenditure for the addition of property, plant and equipment, which included the purchases of machinery amounting to approximately RMB0.9 million, RMB1.3 million, RMB3.0 million, RMB0.7 million and RMB0.5 million, respectively. As we only commenced operation in 2012, and all our machinery were acquired brand new, even our oldest machinery are less than eight years old as at the Latest Practicable Date. Based on the estimated maximum useful lives of our Group's machinery of 10 years, our Group does not anticipate any significant replacement expenditures for our machinery in the near future.

As at 30 June 2019, the carrying value of our machinery were approximately RMB18.4 million or approximately 41.0%, of our total carrying value of our property, plant and equipment respectively.

BUSINESS

Utilisation

We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC. The table below shows the utilisation rates of our production facility for FY2016, FY2017, FY2018, 6M2018 and 6M2019:

	FY2016	FY2017	FY2018	6M2018	6M2019
PHC pile					
Maximum annual permitted production capacity (<i>in metres</i>) ⁽¹⁾	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Actual production volume (<i>in metres</i>)	590,200	1,056,434	1,154,154	543,521	532,509
Utilisation rate (%) ⁽²⁾	39.3	70.4	76.9	36.2	35.5
Commercial concrete					
Maximum annual permitted production capacity (<i>in m³</i>) ⁽¹⁾	400,000	400,000	400,000	400,000	400,000
Actual production volume (<i>in m³</i>) ⁽³⁾	149,134	380,097	325,749	140,885	238,063
Utilisation rate (%) ⁽⁴⁾	37.3	95.0	81.4	35.2	59.5

Notes:

1. The maximum annual permitted production capacity is based on the approval letter from the PRC Government.
2. Utilisation rate = Actual production volume (in metres)/design production capacity (in metres) x 100%.
3. Actual production volume does not include sales volume from subcontracting arrangements with Customer K as further explained in the paragraph headed “Customers — Overlapping customer and subcontractor/supplier” of this section.
4. Utilisation rate = Actual product volume (in m³)/maximum annual permitted production capacity (in m³) x 100%.

During the Track Record Period, as our Group did not have a separate production line for square piles, we only produced approximately 2,342 metres of square piles on a trial basis for FY2018, using the existing production line for PHC piles. We therefore do not have information such as production capacity and utilisation rate for square piles on a standalone basis during the Track Record Period.

For FY2016, FY2017 and FY2018, the utilisation rate of our PHC pile production line has increased steadily from approximately 39.3% in FY2016 to approximately 76.9% in FY2018. The utilisation rate of our PHC pile production line remained relatively stable at approximately 36.2% and 35.5% for 6M2018 and 6M2019, respectively. The utilisation rate of our commercial concrete production lines increased from approximately 37.3% in FY2016 to approximately 95.0% in FY2017, but dropped slightly to approximately 81.4% in FY2018. This was because the local governments in Nantong areas tighten their enforcement of environmental protection law as a matter of national policy, resulting in the overall slowdown of construction activities as construction companies were required to rectify any breaches of environmental protection law

identified by the relevant authorities before they can continue the construction works, and affecting the demand for commercial concrete in such area for FY2018. The utilisation rate of our commercial concrete production lines increased from approximately 35.2% in 6M2018 to approximately 59.5% in 6M2019.

The extent of local governments' effort to enforce environmental protection law varied from city to city and from province to province. As a result of the different level of local governments' effort in environmental protection, commercial concrete production volume in Nantong has decreased by approximately 25.8% and the growth rate of commercial concrete production volume in Jiangsu Province has slowed down from 13.4% in 2017 to 13.3% in 2018, while the growth rate of commercial concrete production volume at the national level increased from approximately 6.9% to 8.4% in the same period, according to the F&S Report.

Due to the nature of commercial concrete which will harden over time and cannot be kept as inventory, we only produce this product when we receive orders. When our customers slow down their construction activities or delay such part of their construction activities which involve commercial concrete mixing, we will produce less commercial concrete, resulting in a slight decline of the utilisation rate of our commercial concrete production lines.

These are factors behind the decrease of the utilisation rate of our Group's commercial concrete production in 2018 while the volume of commercial concrete production of the industry in Jiangsu Province increased in the same period.

In addition, the overall slowdown of construction activities in Nantong may not necessarily be directly correlated with production volume of every construction material we produced. The impact of the enforcement of environmental protection law varied from project to project, as some projects might have more serious breach of environmental law than others, and some breaches could be rectified easily and quickly, while some breaches required more time to rectify. So the slowdown in construction activities was only an overall picture and there were varying degrees of slowdown from city to city and from project to project.

The different stages of construction will also have an impact on the demand for PHC piles and commercial concrete. For example, if foundation works have just begun for a particular project, there will be a high demand for PHC piles in comparison to the demand for commercial concrete, whereas the demand for PHC piles in comparison to the demand for commercial concrete will drop significantly once the foundation works are completed.

So if the enforcement of environmental protection law in relation to a project occurred at a stage where foundation works have already been completed, the impact on the demand for commercial concrete will be higher than on the demand for PHC piles.

The production volume of PHC piles in FY2018 only increased by approximately 9.2% when compared to the production volume in FY2017. This rate of increase was significantly lower than the rate of increase in the production volume of PHC piles from FY2016 to FY2017, which was approximately 79.0%. The impact of the slowdown in construction activities to our Group's PHC pile production is obvious. It is just that the level of impact when compared to the commercial concrete is different for reasons as explained above.

BUSINESS

Our Directors are of the view that our growth of production volume of PHC piles and commercial concrete for FY2017 of approximately 79.0% and 154.9%, respectively outperformed production volume of PHC piles and commercial concrete in Jiangsu Province for FY2017 of approximately 8.4% and 13.4%, respectively primarily due to (i) our competitive strengths as further explained under the paragraph headed “Our strengths” in this section; and (ii) the fact that our high growth rates for production volume was simply due to the lower base production volume as compared to that of the market size. This resulted to our Group’s volume growth rate appear to be much higher than that of the Jiangsu Province’s in which our Group was actually just maintaining its market share in Jiangsu Province organically.

Repairs and maintenance and replacement

We carry out preliminary daily checking of our production lines and conduct routine maintenance on the machine of our production lines around every 10 days. Routine maintenance requires an operation halt for a day.

We schedule overhaul of the whole production lines during Chinese New Year every year when business generally comes to a standstill in the PRC and the production lines are closed down.

Due to our relatively short operating history and that all our equipment and machinery were acquired brand new, we do not have any plan to replace any of our equipment and machinery in our production lines in the near future.

RAW MATERIALS AND SUPPLIERS

All of our five largest suppliers for FY2016, FY2017, FY2018, 6M2018 and 6M2019 were suppliers of raw materials.

Raw materials

The raw materials for our PHC piles are mainly cement, sand, gravel, spiral ribs, pre-tensioned steel reinforcing bars, end plates, wires and other additives.

The raw materials for our commercial concrete are mainly cement, sand, gravel and other additives.

We generally maintain such level of raw materials in our inventory sufficient for four to five days of production, except for end plate and other parts, where we generally maintain sufficient inventory for three days of production and more than five days of production, respectively.

One of our suppliers during the Track Record Period, namely Mr. Wang Chao huai (“**Mr. Wang**”), is the cousin of our Executive Director, chief executive officer, and chairperson of our Board, Ms. Wong Han Yu Alice. Mr. Wang is our supplier for sand and gravel, and our purchases from Mr. Wang and/or Supplier I (a company controlled by him) accounted for approximately 26.8%, 31.6%, 24.7% and 9.8% of our total purchases in FY2016, FY2017, FY2018 and 6M2019, respectively. For details of the connected transaction, please refer to the section headed “Connected Transactions” in this prospectus.

BUSINESS

Save and except for Mr. Wang, Supplier I, Supplier E and Supplier J, we have not entered into any long term contract with any of our five largest suppliers during the Track Record Period. Written contracts with suppliers of raw materials usually set out the delivery arrangement, quantity and quality specifications, pricing terms and termination clause. As most of raw materials are readily available in the market, our Directors believe that there are alternative sources of such raw materials.

The below sets forth the salient terms of the agreements with Supplier E, Mr. Wang Chaohuai, Supplier I and Supplier J:

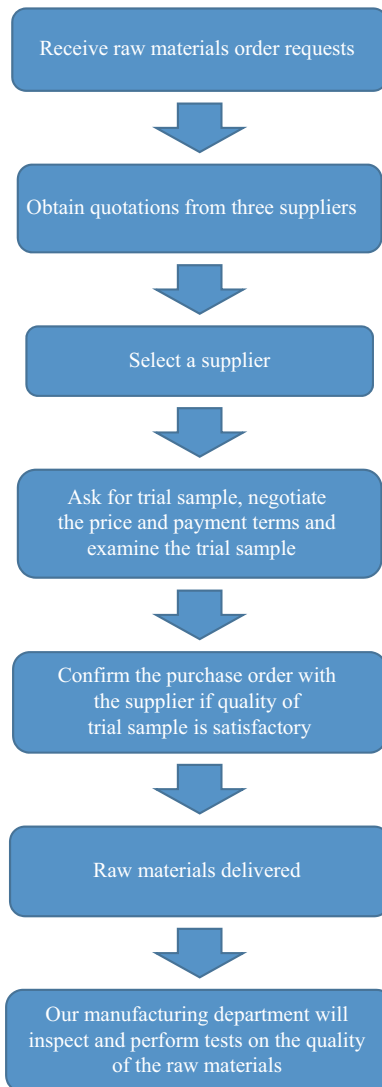
	<u>Supplier E</u>	<u>Mr. Wang Chaohuai</u>	<u>Supplier I</u>	<u>Supplier J</u>
Duration:	One year (From 25 July 2017 to 24 July 2018)	Approximately 13 months (From 26 October 2018 to 31 December 2019)	One year (From 1 January 2018 to 31 December 2018)	14 months (From 1 October 2018 to 31 December 2019)
Minimum purchase commitment:	No	Must supply not less than 5,000 tonnes to 8,000 tonnes	No	No
Fee:	Prevailing market price	Prevailing market price	Prevailing market price	Prevailing market price
Payment term:	50% to be settled two months later, balance to be settled another month later	Settle one month later	Settle before delivery	Settle before delivery
Termination:	Can be terminated by our Group within the first three months	Can be terminated by our Group within the first three months	Can be terminated by our Group within the first three months	Can be terminated by our Group within the first three months
Automatic renewal:	No	No	No	No
Dispute resolution:	By discussion then by PRC court	By discussion then by PRC court	By discussion then by PRC court	By discussion then by PRC court

Procurement process

Our manufacturing department will submit a raw material order request to our purchasing department from time to time based on production needs. Upon receipt of the raw materials order requests, our purchasing department will evaluate and, if appropriate, approve such requests. Our purchasing department will then obtain quotations from three suppliers. The quotations will be evaluated based on locations of the suppliers, price, quality and delivery time. Once the supplier is selected, our purchasing department will ask the selected supplier for trial sample, negotiate with such supplier on the price and payment terms. If the quality of the trial sample is satisfactory, we will confirm the purchase order with the selected supplier. Our purchase department usually places orders for raw materials on a weekly basis. Upon delivery of the raw materials, our manufacturing

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department will monitor, inspect and perform tests on the quality of the raw materials to ensure that they comply with contract specifications or requirements. The raw materials are properly kept in the warehouse thereafter. If defects in the raw materials are identified, the whole batch will be returned to the supplier for replacement. The procurement process is as follows:



Our Group did not engage in any hedging activity nor have we entered into any future contract or price lock-up arrangement with our suppliers in order to manage the price fluctuation of raw materials during the Track Record Period. We do not plan to engage in any hedging activity in the foreseeable future.

From time to time, if we expect that the price for a certain raw material will increase significantly based on our management's experience and the market condition, we will place order for that raw material for a quantity larger than what is required for production purposes. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty, shortage or quality issue in procurement of materials from our suppliers.

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Suppliers

For FY2016, FY2017, FY2018 and 6M2019, purchases from our five largest suppliers accounted for approximately 63.0%, 72.2%, 69.3% and 69.5% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 26.8%, 31.6%, 24.7% and 19.8% of our total purchases in the same periods, respectively. Throughout the Track Record Period and up to the Latest Practicable Date, our Group has maintained good relationship with our suppliers and have not experienced any difficulties in obtaining supplies of raw materials. We agree the purchase quantity, price and delivery schedule with suppliers on order-by-order basis, which are set out in our purchase orders. Terms of our purchases also vary with the kind of raw materials we procured. We also had a subcontracting arrangement for FY2018 and 6M2019. For details, please refer to the paragraph headed “Suppliers — Subcontracting arrangements” in this section. Set out below are the brief particulars of our five largest suppliers during the Track Record Period:

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Rank	Supplier	Principal business	Years of business relationship with our Group	Principal raw materials/ service sourced	Typical credit terms to us	Our payment method	Purchase amount during the period <i>(RMB'000)</i>	Approximate percentage of total purchase <i>(%)</i>
1	Wang Chaohuai (王朝淮)	Sale of sand and gravel in the PRC	Five years	Sand and gravel	26 days	Bank remittance	23,175	26.8
2	Supplier A	Cement manufacturer in the PRC	Six years	Cement	No credit term	Bank remittance	16,123	18.6
3	Supplier B	Pre-tensioned steel reinforcing bars manufacturer in the PRC	Seven years	Pre-tensioned steel reinforcing bars	No credit term	Bank remittance	7,974	9.2
4	Supplier C	Pre-tensioned steel reinforcing bars manufacturer in the PRC	Four years	Pre-tensioned steel reinforcing bars	No credit term	Acceptance bill/bank remittance	3,740	4.3
5	Supplier D	Hardware products manufacturer in the PRC	Four years	End plates	No credit term	Bank remittance	3,588	4.1
Five largest suppliers combined							54,600	63.0
All other suppliers							31,910	37.0
Total purchases							86,510	100.0

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FY2017

Rank	Supplier	Principal business	Years of business relationship with our Group	Principal raw materials/service sourced	Typical credit terms to us	Our payment method	Purchase amount during the period <i>(RMB'000)</i>	Approximate percentage of total purchase <i>(%)</i>
1	Wang Chaohuai (王朝淮)	Sale of sand and gravel in the PRC	Five years	Sand and gravel	26 days	Bank remittance	84,373	31.6
2	Supplier A	Cement manufacturer in the PRC	Six years	Cement	No credit term	Acceptance bill/bank remittance	54,153	20.3
3	Supplier B	Pre-tensioned steel reinforcing bars manufacturer in the PRC	Seven years	Pre-tensioned steel reinforcing bars	Settlement when the raw materials purchased up to an agreed amount	Bank remittance	34,162	12.8
4	Supplier E	Sale of construction materials, metal products and hardware products in the PRC	Two years	Sand and gravel	Monthly settlement on 50% of raw material in the preceding two months, and the remaining balance will be settled within 170 days	Cheque	10,200	3.8
5	Supplier D	Hardware products manufacturer in the PRC	Four years	End plates	No credit term	Bank remittance	10,004	3.7
Five largest suppliers combined							192,892	72.2
All other suppliers							74,347	27.8
Total purchases							267,239	100.0

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FY2018

Rank	Supplier	Principal business	Years of business relationship with our Group	Principal raw materials/service sourced	Typical credit terms to us	Our payment method	Purchase amount during the period <i>(RMB'000)</i>	Approximate percentage of total purchase <i>(%)</i>
1	Wang Chaohuai (王朝淮) and Supplier I (a company controlled by him)	Sale of sand and gravel in the PRC	Five years	Sand and gravel	26 days	Bank remittance	96,570	24.7
2	Supplier A and its related company, Supplier F	Cement manufacturer in the PRC	Six years	Cement	No credit term	Acceptance bill/bank remittance	76,317	19.5
3	Supplier B	Pre-tensioned steel reinforcing bars manufacturer in the PRC	Seven years	Pre-tensioned steel reinforcing bars	57 days	Bank remittance	41,402	10.6
4	Supplier G	Sale of cement, sand and gravel in the PRC	One year	Sand and gravel	30 days	Bank remittance	38,664	9.9
5	Supplier H	Steel manufacturer in the PRC	Four years	Wires	No credit term	Bank remittance	18,027	4.6
	Five largest suppliers combined						270,980	69.3
	All other suppliers						119,721	30.7
	Total purchases						390,701	100.0

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6M2019

Rank	Supplier	Principal business	Years of business relationship with our Group	Principal raw materials/service sourced	Typical credit terms to us	Our payment method	Purchase amount during the period <i>(RMB'000)</i>	Approximate percentage of total purchase <i>(%)</i>
1	Supplier G	Sale of cement, sand and gravel in the PRC	One year	Cement, sand and gravel	30 days	Bank remittance	42,243	19.8
2	Supplier A and its related company, Supplier F	Cement manufacturer in the PRC	Six years	Cement	No credit term	Acceptance bill/bank remittance	40,517	19.0
3	Supplier J	Sale of sand and gravel in the PRC	One year	Sand and gravel	No credit term	Bank remittance	23,535	11.0
4	Wang Chaohuai (王朝淮) and Supplier I (a company controlled by him)	Sale of sand and gravel in the PRC	Five years	Sand and gravel	26 days	Bank remittance	20,802	9.8
5	Supplier B	Pre-tensioned steel reinforcing bars manufacturer in the PRC	Seven years	Pre-tensioned steel reinforcing bars	57 days	Bank remittance	21,084	9.9
Five largest suppliers combined							148,181	69.5
All other suppliers							65,083	30.5
Total purchases							213,264	100.0

To the best knowledge of our Directors after due inquiries, as at the Latest Practicable Date, all of our suppliers other than Mr. Wang Chaohuai and Supplier I were Independent Third Parties.

As at the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders who owns more than 5% of our Company's issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

Basis for selecting our suppliers

We maintain an approved list of suppliers, who are all PRC suppliers. In selecting suppliers, we evaluate them based on their capability to comply with our requirements, price quotation, their distance from us and delivery time, quality of the raw material, and consistency of raw material quality. We also review and update such list on a continuous basis.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty, shortage or quality issue in procurement of materials from our suppliers. Therefore, our Directors consider that our Group did not place any significant reliance on any single supplier and we are able to engage substitute supplier if necessary.

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Credit terms with suppliers

During the Track Record Period, we generally settle payments with our suppliers by bank remittance and acceptance bill. Our suppliers may require us to pay on demand or may offer us credit terms up to 170 days after delivery of raw materials.

Mr. Wang Chaohuai

During FY2016, FY2017 and FY2018, our largest suppliers were Mr. Wang Chaohuai and Supplier I (a company controlled by him). We have entered into written agreements with each of Mr. Wang Chaohuai and Supplier I for the supply of sand and gravel. The major terms of the said agreements are as follows:

Term:	Approximately 12 months
Price:	Prevailing market price
Guarantee delivery volume (agreement with Mr. Wang only):	Not less than 5,000 to 8,000 tonnes per month

The table below sets forth our Group's total purchase volume of sand and gravel from Mr. Wang Chaohuai/Supplier I and others during the Track Record Period:

Sand	FY2016		FY2017		FY2018		6M2018		6M2019	
	Volume	% of total	Volume	% of total	Volume	% of total	Volume	% of total	Volume	% of total
	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>
Wang Chaohuai/ Supplier I	145,059	81.2	367,700	89.1	303,287	72.5	141,033	86.5	111,864	39.0
Others ⁽¹⁾	33,588	18.8	44,223	10.9	115,304	27.5	22,047	13.5	174,925	61.0
Total	178,647	100.0	411,923	100.0	418,591	100.0	163,080	100.0	286,789	100.0

Gravel	FY2016		FY2017		FY2018		6M2018		6M2019	
	Volume	% of total	Volume	% of total	Volume	% of total	Volume	% of total	Volume	% of total
	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(%)</i>
Wang Chaohuai/ Supplier I	270,845	100.0	547,774	90.1%	508,828	59.7	250,704	92.5	75,969	14.3
Others ⁽¹⁾	-	-	60,333	9.9%	344,029	40.3	20,274	7.5	456,450	85.7
Total	270,845	100.0	608,107	100.0	852,857	100.0	270,978	100.0	532,419	100.0

Note:

1. Others included Supplier G, Supplier J and other individual suppliers.

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Other than Supplier I, Mr. Wang Chaohuai does not hold any directorship or interests in any other companies, and there are no other entities controlled by Mr. Wang Chaohuai that had/have business with our Group during the Track Record Period.

Supplier concentration risk with Mr. Wang Chaohuai

During the Track Record Period, purchases attributable to Mr. Wang Chaohuai and Supplier I, in aggregate, amounted to approximately RMB23.2 million, RMB84.4 million, RMB96.6 million and RMB20.8 million, respectively, accounting for approximately 26.8%, 31.6%, 24.7% and 9.8% of our total purchase, respectively.

Our Directors do not consider our Group heavily relies on Mr. Wang Chaohuai and Supplier I as our supplier for the following reasons:

- (i) Mr. Wang Chaohuai is not our only sand and gravel supplier.
- (ii) Our purchase from Mr. Wang Chaohuai (including Supplier I) only accounted for approximately 26.8% and 31.6% of our total purchases in FY2016 and FY2017, respectively, and has declined from approximately 31.6% in FY2017 to approximately 24.7% in FY2018 and approximately 9.8% in 6M2019.
- (iii) Sand and gravel are not rare commodities nor do they require any special processing. Our Directors do not foresee any difficulty in finding substitute supplier of sand and gravel in the unlikely event that Mr. Wang Chaohuai and Supplier I cease to provide any sand and gravel to us. In addition, according to the agreements between our Group and Mr. Wang Chaohuai and Supplier I, we pay prevailing market price for the sand and gravel upon delivery. Therefore, there will be no financial impact on our Group even if we switch to another supplier for sand and gravel, as we do not enjoying any preferential price from Mr. Wang Chaohuai and Supplier I in the first place.

Subcontracting arrangements

In FY2018 and 6M2019, we engaged a subcontractor which was wholly-owned by the majority shareholder of Customer K to the best of the knowledge and belief of our Directors after making reasonable enquiries to produce commercial concrete for us in Shanghai. Due to the nature of commercial concrete which will harden over time, the increase in transportation time will have negative impact on the quality of commercial concrete. This subcontracting arrangement allows us to explore business opportunities outside our existing market. This subcontractor is an Independent Third Party. To the best of the knowledge and belief of our Directors after making reasonable enquiry, this subcontractor has two commercial concrete production lines with annual production volume of 1.2 million m³. Other than the subcontracting arrangements as disclosed in this section and the relationship between Customer K and our Group as our customer, the subcontractor (or its shareholders/beneficial owners and directors) does not have any past or present relationship with our Group, our Shareholders, Directors, senior management or their respective associates. Under the agreement with this subcontractor, raw materials are provided by us to the subcontractor for the production of commercial concrete. For FY2018 and 6M2019, subcontracting fees incurred amounted to approximately RMB5.6 million and RMB3.9 million, representing approximately 1.5% and 1.7% of our total cost of sales, respectively.

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The salient terms of our agreement with the subcontractor are as follows:

- | | | |
|-----|-----------------------------------|---|
| (a) | Term: | Our agreement with the subcontractor has a term of one year and four months, from 1 September 2018 to 31 December 2019. |
| (b) | Subcontractor's responsibilities: | Subcontractor shall ensure the quality of the commercial concrete produced by it. |
| (c) | Subcontracting fee: | RMB30/m ³ |
| (d) | Transportation: | Subcontractor is responsible for transporting the commercial concrete to the designated works site. |
| (e) | Payment term: | Settle one month later |
| (f) | Termination: | No |
| (g) | Dispute resolution: | By discussion then by PRC court |
| (h) | Automatic renewal: | No |

The raw material cost is borne by our Group pursuant to the subcontracting arrangements. The table below sets forth details of the raw materials provided by our Group to the subcontractor for its production of commercial concrete under the subcontracting arrangements during the Track Record Period:

	FY2018		6M2019	
	Volume	Amount	Volume	Amount
	<i>(tonnes)</i>	<i>(RMB'000)</i>	<i>(tonnes)</i>	<i>(RMB'000)</i>
Cement	40,594	19,546	28,384	13,423
Gravels	270,413	26,437	173,902	18,235
Sand	69,672	7,106	44,204	4,614
Other additives	12,023	7,142	8,001	4,948
Coal	14,219	2,021	8,835	1,562
Total	406,921	62,252	263,336	42,782

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The table below sets forth details of the commercial concrete sold to Customer K where Customer K subsequently sold to ultimate Shanghai customers introduced by our Group during the Track Record Period:

	FY2018		6M2019	
	Sales	Revenue	Sales	Revenue
	volume	(RMB'000)	volume	(RMB'000)
	<i>(m³)</i>		<i>(m³)</i>	
Grade C30 or above commercial concrete	124,458	52,582	80,685	35,885
Grade C10-C25 commercial concrete	63,572	25,361	40,381	17,147
Total	188,030	77,943	121,066	53,032

For details of the reasons for our Group to enter into subcontracting arrangements, please refer to the paragraph headed “Customers — Overlapping customer and subcontractor/supplier” in this section.

We intend to continue the cooperation with Customer K, and in fact further sales were made with Customer K pursuant to a sales agreement entered into in April 2019. Our Group will assess the business arrangement with Customer K on a regular basis taking into account various factors, such as feedbacks from end users, and whether Customer K acts in bad faith and try to poach our customers in Shanghai, etc.

As at the Latest Practicable Date, as a back-up plan, we are currently discussing with two potential subcontractors for commercial concrete production in Shanghai on similar terms whose products are of quality comparable to those produced by Customer K’s Related Company. Whether we will sell directly to end users or through some other intermediary like Customer K will depend on the timing of such back-up plan materialises and whether we are confident to sell directly to end users at that time, after taking into account factors such as our familiarity of the Shanghai competitive landscape, and the needs, specification requirements, quality and price expectation of the Shanghai end users.

SALES AND MARKETING

We sell our PHC piles and commercial concrete in the PRC through our sales department in Qidong City, Nantong, Jiangsu Province, the PRC. As at the Latest Practicable Date, our sales department has 10 sales staff. We sell a majority of our PHC piles and commercial concrete directly to construction companies and property developers. Apart from direct sales, we also participate in tendering exercise and respond to quotation requests.

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Our sales department is responsible for organising sales activities, inspection of transportation route for our products, establishing market development plans, controlling marketing expenses, promoting products, monitoring government's plan and tendering activities.

To keep abreast with the developments in PHC pile and commercial concrete markets, our sales department gathers market information, such as market prices for PHC piles and commercial concrete, as well as any new rules and regulations from the PRC Government which may affect our production or the construction industry. Our sales personnel will provide thorough analysis of the PHC pile and commercial concrete markets to our management which will help us react accordingly.

We market our products and increase our brand awareness through sponsoring sports event, inviting our suppliers and customers to our annual dinners, billboards and digital marketing on search engines.

Pricing policy

We set the prices for our products based on market demand, our production capacity, transportation costs borne by our customers, our production costs, inventory levels, competitors' prices and credit terms. Our Directors or representative of general manager office and representative of sales department will meet every month to decide our products pricing for the following month. We usually sell our products by prepayment, monthly payment or credit sales. In general, the prices for credit sales are higher than that under prepayment.

Our contracts for commercial concrete usually include a price adjustment mechanism which allow us to adjust our commercial concrete price if the market price of cement (being our major raw material) increases.

Our contracts for PHC piles usually include a provision which allows us to negotiate with our customers if the raw material prices fluctuate significantly. During the Track Record Period, our customers generally agree to adjust the unit price of our PHC piles when the raw material prices fluctuate.

By adopting our flexible pricing policy sets out above, we are usually able to transfer part of the rise in major raw material price to our customers.

Product return, warranty and after-sales services

During the Track Record Period, we did not have any product return policy. Our contracts with customers do not set out any warranty period.

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or product liability claim which had a material impact on our business and operation. We also had not received any request for return or replacement of our products due to quality issue during the Track Record Period and up to the Latest Practicable Date which had a material adverse impact on our business and operation.

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Seasonality

Demands of PHC piles and commercial concrete are subject to weather condition, as the construction activities tend to be affected by rainy season and extremely hot weather. In addition, demand for our products will slow down during Chinese New Year as most of the construction workers will go back to their home towns, resulting in the suspension of our customers' construction works.

CUSTOMERS

Geographical information

We have a broad and well-established customer base in Jiangsu Province. The table below sets forth a breakdown of our revenue by geographical location based on the site of delivery designated by our customers during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Jiangsu Province	101,516	100.0	284,241	95.2	373,277	82.2	191,929	100.0	218,242	80.4
Shanghai	-	-	14,413	4.8	80,913	17.8	-	-	53,032	19.6
Total	<u>101,516</u>	<u>100.0</u>	<u>298,654</u>	<u>100.0</u>	<u>454,190</u>	<u>100.0</u>	<u>191,929</u>	<u>100.0</u>	<u>271,274</u>	<u>100.0</u>

Since FY2017, we started to sell our PHC piles in Chongming District, Shanghai, and recorded an aggregate revenue of approximately RMB14.4 million from Customer G, which also has business presence in Shanghai, and three other customers. Revenue for PHC piles in Shanghai decreased to approximately RMB3.0 million for FY2018 and were all originated from Customer G.

Our revenue from Shanghai increased from approximately RMB14.4 million for FY2017 to approximately RMB80.9 million for FY2018 primarily due to (i) commercial concrete sold to Customer K of approximately RMB77.9 million; and (ii) PHC piles sold to Customer G of approximately RMB3.0 million. Our revenue from Shanghai increased from nil for 6M2018 to approximately RMB53.0 million for 6M2019 as a result of the commercial concrete sold to Customer K of approximately RMB53.0 million. For further details of our business arrangement with Customer K in Shanghai, please refer to the paragraph headed "Overlapping customer and subcontractor/supplier" in this section.

Our PHC piles and commercial concrete are primarily sold to property developers and construction companies. In addition to direct sales, we participate in tendering in the form of either "open tender" or "tender by invitation".

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The table below sets forth a breakdown of our Group's revenue during the Track Record Period by sales channels:

	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	FY2016	FY2017	FY2018	6M2018	6M2019					
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Direct sales	100,962	100	291,242	97.5	440,636	97.0	153,361	79.9	206,353	76.1
Tenders	Nil	Nil	7,412	2.5	13,554	3.0	38,568	20.1	64,921	23.9
Total	101,516	100.0	298,654	100.0	454,190	100.0	191,929	100.0	271,274	100.0

The table below sets forth the number of tender submitted, number of successful tender and our success rate during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
Number of tender submitted	Nil	3	5	1	4
Number of successful tender ⁽¹⁾	Nil	3	3	1	4
Success rate (%)	Nil	100.0	60.0	100.0	100.0

Note:

- The number of successful tender for a particular year or period corresponds to the year or period when we submit our tender and such figure is therefore different from the actual number of contracts awarded to our Group in the same year or period.

The table below sets forth our revenue by customer type during the Track Record Period.

Types of customers	FY2016	FY2017	FY2018	6M2018	6M2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	<i>(unaudited)</i>				
Construction companies	100,647	295,640	447,117	176,668	232,090
Property developers	22	493	6,556	15,125	33,545
Others (individual customers)	847	2,521	517	136	5,639
Total	101,516	298,654	454,190	191,929	271,274

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During the Track Record Period, we generated revenue from recurring customers and new customers, which demonstrates our ability to retain old customers and attract new customers. Please see tables below for a breakdown of the number of our recurring customers and new customers as well as the revenue generated from such customers:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	No.	%	No.	%	No.	%	No.	%	No.	%
New customers	51	73.9	67	61.5	85	61.2	33	45.8	65	54.2
Recurring customers	18	26.1	42	38.5	54	38.8	39	54.2	55	45.8
Total	69	100.0	109	100.0	139	100.0	72	100.0	120	100.0

Note: Recurring customers in any particular year or periods are those customers who had purchased our Group's products in prior years or periods.

	FY2016		FY2017		FY2018		6M2018		6M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue generated from new customers	52,518	51.7	95,789	32.1	172,923	38.1	42,430	22.1	38,860	14.3
Revenue generated from recurring customers	48,998	48.3	202,865	67.9	281,267	61.9	149,499	77.9	232,414	85.7
Total	101,516	100.0	298,654	100.0	454,190	100.0	191,929	100.0	271,274	100.0

(unaudited)

Note: Recurring customers in any particular year or period are those customers who had purchased our Group's products in prior years or periods.

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Five largest customers

Our Group's sales to our five largest customers during FY2016, FY2017, FY2018 and 6M2019 accounted for approximately RMB37.0 million, RMB144.7 million, RMB224.3 million and RMB127.3 million, respectively, representing approximately 36.4%, 48.5%, 49.5% and 46.9% of our total revenue. Sales to the largest customer of our Group during FY2016, FY2017, FY2018 and 6M2019 amounted to approximately RMB8.4 million, RMB39.6 million, RMB77.9 million and RMB53.0 million, representing approximately 8.2%, 13.3%, 17.2% and 19.5% of our total revenue, respectively. Set out below are the brief particulars of our five largest customers during the Track Record Period:

FY2016

Rank	Customer	Background	Years of business relationship with our Group	Principal products sold	Settlement terms	Payment method	Revenue <i>(RMB'000)</i>	Approximate percentage of our total revenue <i>(%)</i>
1	Customer A	General contracting services in construction projects in the PRC	Four years	Commercial concrete	Monthly settlement on the agreed percentage of goods delivered, and the remaining balance will be paid after the structure completed	Acceptance bill/bank remittance	8,363	8.2
2	Customer B	General contracting services in construction projects in the PRC	Four years	PHC piles	No settlement term	Bank remittance/ acceptance bill	7,941	7.8
3	Customer C	Sale of construction materials in the PRC	Six years	Commercial concrete	RMB1.2 million will be settled in 22 days, 75% of the total amount of purchased goods will be settled in 168 days. The remaining balance will be paid in 346 days	Bank remittance/ acceptance bill	7,088	7.0
4	Customer D	General contracting services in construction projects in the PRC	Six years	Commercial concrete	Monthly settled on the amount of purchased concrete	Acceptance bill/ bank remittance	7,027	6.9
5	Customer E	Contracting services in industrial and civil construction projects in the PRC	Four years	PHC piles	50 days	Bank remittance/ acceptance bill	6,593	6.5
Five largest customers combined							37,012	36.4
All other customers							64,504	63.6
Total revenue							101,516	100.0

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FY2017

Rank	Customer	Background	Years of business relationship with our Group	Principal products sold	Settlement terms	Payment method	Revenue <i>(RMB '000)</i>	Approximate percentage of our total revenue <i>(%)</i>
1	Customer F	General contracting services in construction projects in the PRC	Three years	Commercial concrete and PHC piles	Monthly settlement on the agreed percentage of goods delivered, and the remaining balance will be paid within 445 days	Bank remittance/ acceptance bill	39,615	13.3
2	Customer G	Foundation engineering company in the PRC	Five years	PHC piles	67 days	Bank remittance/ acceptance bill	31,891	10.7
3	Customer H	General contracting services in construction projects in the PRC	Six years	Commercial concrete and PHC piles	A credit limit was granted, half of it would be settled within 279 days, another half would be settled within 338 days. Once the aggregate purchase amount exceeded the credit limit, it would be settled in a week	Bank remittance/ acceptance bill	29,186	9.8
4	Customer I	Municipal road engineering company in the PRC	Three years	Commercial concrete and PHC piles	Monthly settlement on the agreed percentage of goods delivered, and the remaining balance will be settled before 25th day of next calendar month	Bank remittance/ acceptance bill	24,821	8.3
5	Customer J	Sale of construction materials in the PRC	Six years	Commercial concrete	Monthly settlement on the agreed percentage of goods delivered, and the remaining balance will be paid after the structure completed	Bank remittance/ acceptance bill	19,150	6.4
Five largest customers combined							144,663	48.5
All other customers							153,991	51.5
Total revenue							298,654	100.0

BUSINESS

FY2018

Rank	Customer	Background	Years of business relationship with our Group	Principal products sold	Settlement terms	Payment method	Revenue <i>(RMB '000)</i>	Approximate percentage of our total revenue <i>(%)</i>
1	Customer K	Concrete manufacturer in the PRC	One year	Commercial concrete	One month	Bank remittance/ acceptance bill	77,943	17.2
2	Customer G	Foundation engineering company in the PRC	Five years	Commercial concrete and PHC piles	A credit limit was granted to be settled within 339 days. Once the aggregate purchase amount exceeded the credit limit, it would be settled in a month	Bank remittance	54,326	12.0
3	Customer L	General contracting services in construction projects in the PRC	Five years	Commercial concrete	Settlement when the goods delivered up to an agreed amount	Bank remittance	53,188	11.7
4	Customer M	General contracting services in construction projects in the PRC	Three years	Commercial concrete	Monthly settlement on the agreed percentage of goods delivered, and the remaining balance will be paid after the structure completed	Bank remittance	19,790	4.4
5	Customer H	General contracting services in construction projects in the PRC	Six years	Commercial concrete and PHC piles	No settlement term	Bank remittance/ acceptance bill	19,045	4.2
	Five largest customers combined						224,292	49.5
	All other customers						229,898	50.5
	Total revenue						454,190	100.0

BUSINESS

6M2019

Rank	Customer	Background	Years of business relationship with our Group	Principal products sold	Settlement terms	Payment method	Revenue <i>(RMB'000)</i>	Approximate percentage of our total revenue <i>(%)</i>
1	Customer K	Concrete manufacturer in the PRC	One year	Commercial concrete	One month	Acceptance bill/ bank remittance	53,032	19.5
2	Customer P	General contracting services in construction projects in the PRC	Two years	Commercial concrete	Two months	Acceptance bill	22,277	8.2
3	Customer H	General contracting services in construction projects in the PRC	Six years	Commercial concrete and PHC pile	No settlement term	Acceptance bill/ bank remittance	19,521	7.2
4	Customer E	General contracting services in construction projects in the PRC	Four years	PHC pile	No settlement term	Acceptance bill	16,243	6.0
5	Customer G	Foundation engineering company in the PRC	Five years	Commercial concrete and PHC pile	When the agreed amount of goods delivered, 70% of the total amount of purchased goods will be settled in three days. The remaining balance will be paid in two months	Bank remittance	16,186	6.0
Five largest customers combined							127,259	46.9
All other customers							144,015	53.1
Total revenue							271,274	100.0

None of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company had, to the best knowledge of our Directors, any interest in any of our five largest customers during the Track Record Period.

Generally the contracts with our customers contain terms relating to quantity of products, total price, payment terms, delivery date and place and product inspection. Save and except for two strategic agreements entered into by us with Customer G and six strategic agreements entered into with six other customers, we did not enter into any long term contract with our customers during the Track Record Period. The details of the strategic agreements are set out in “Customers — Key contract terms with a strategic partner” under this section and the section headed “Financial Information — Strategic agreements” in this prospectus.

BUSINESS

During the Track Record Period, our Group did not experience any major disruption in our business due to material delays or payment defaults by our customers.

Key contract terms with a strategic partner

During the Track Record Period, we had entered into two strategic agreements with Customer G in relation to our PHC piles. We had generated revenue from Customer G in the sums of approximately RMB0.7 million, RMB31.9 million, RMB54.3 million and RMB16.2 million during the Track Record Period. The terms of the first strategic agreement (the “**First Customer G Strategic Agreement**”) during the Track Record Period are set out below:

- (1) Term: From 16 February 2018 to 1 February 2019.
- (2) Guaranteed purchase: Customer G guarantee to purchase not less than 500,000 metres of PHC piles from our Group.
- (3) Credit limit: We granted Customer G since 16 February 2018 a credit limit of RMB20 million. Customer G did not need to pay us when its purchase was within the credit limit. Once the aggregate purchase amount from Customer G exceeded the credit limit, Customer G only needed to settle the amount over and above the credit limit. The RMB20 million would be settled by Customer G upon expiry of the strategic agreement.
- (4) Pricing: Determined on a basis fair to both parties.

As at 1 February 2019, being the expiry date of the abovementioned agreement, approximately RMB3.8 million, or 15.3%, of the total trade receivables due from Customer G as at 31 December 2018, being approximately RMB24.5 million, had been subsequently settled.

As at the Latest Practicable Date, the total trade receivables due from Customer G as at 31 December 2018, being approximately RMB24.5 million, had been subsequently settled.

As at the Latest Practicable Date, the total trade receivables due from Customer G as at 30 June 2019, being approximately RMB12.7 million, had been subsequently settled.

For 6M2019, we have entered into six strategic agreements with other six customers for a one-year term, and we have entered into a new strategic agreement with Customer G (the “**Second Customer G Strategic Agreement**”) on terms similar to the other six strategic agreements. For details, please refer to the section headed “Financial Information — Strategic agreements” in this prospectus.

During the term of the First Customer G Strategic Agreement, Customer G only acquired 303,871 metres of PHC piles, which was less than the minimum guaranteed purchase quantity of 500,000 metres.

BUSINESS

The First Customer G Strategic Agreement was an attempt of our Group to explore ways to establish stable business relationship with our customers. It has been our Group's intention to assess the effectiveness of its terms and conditions and make such adjustment as may be necessary in subsequent strategic agreements to be entered into with Customer G and our other customers.

As the minimum guarantee purchase did not seem to work, we have therefore removed the guarantee purchase obligation in the Second Customer G Strategic Agreement. Since Customer G has no minimum purchase commitment in the Second Customer G Strategic Agreement, it is only fair that our Group also removed the credit limit granted to Customer G in the Second Customer G Strategic Agreement.

Overlapping customer and subcontractor/supplier

In FY2018 and 6M2019, Customer K was our largest customer. Customer K became acquainted with our Group through its business network and is in the business of manufacturing and selling of commercial concrete in the PRC. Other than the business relationship with our Group as our customer, Customer K (or its shareholders/beneficial owners and directors) does not have any past or present relationship with our Group, our Shareholders, Directors, senior management or their respective associates. To the best knowledge and belief of our Directors, its related company was our subcontractor for the production of commercial concrete in Shanghai. For details, please refer to the paragraph headed "Raw materials and suppliers — Suppliers — Subcontracting arrangements" in this section.

The revenue generated from Customer K in FY2018 accounted for approximately 17.2% of our total revenue in FY2018. Customer K was not one of our five largest customers in FY2016 and FY2017. The subcontracting fee we paid the subcontractor for the production of commercial concrete in Shanghai only accounted for approximately 1.5% of our total cost of sales in FY2018. We did not have any other business relationship with this subcontractor in FY2016, FY2017 and FY2018. For FY2018, the revenue, gross profit (*Note*) and gross profit margin for commercial concrete products sold under subcontracting arrangements with Customer K in Shanghai was approximately RMB77.9 million, RMB10.1 million and 12.9%, respectively.

The revenue generated from Customer K in 6M2019 accounted for approximately 19.5% of our total revenue in 6M2019. The subcontracting fee we paid the subcontractor for the production of commercial concrete in Shanghai only accounted for approximately 1.7% of our total cost of sales in 6M2019. For 6M2019, the revenue, gross profit (*Note*) and gross profit margin for commercial concrete products sold under subcontracting arrangements with Customer K in Shanghai was approximately RMB53.0 million, RMB6.3 million and 11.9%, respectively.

Our business with Customer K represented our attempt to expand our market to outside Jiangsu Province. We have identified potential customers in Shanghai for commercial concrete. However, we do not have any production facility in Shanghai and it is not feasible to produce commercial concrete in our production facility in Nantong and then transport all the way to Shanghai, due to the distance and transportation time involved.

Note: Customer K's gross profit is calculated by revenue (2018: RMB77.9 million, 6M2019: RMB53.0 million) minus cost of raw materials (2018: RMB62.3 million, 6M2019: RMB42.8 million) and subcontracting fee (2018: RMB5.6 million, 6M2019: RMB4.0 million).

BUSINESS

To set up a production plant in Shanghai may take time and will require significant capital investment that our Group is not prepared to allocate based on our current management plans.

To engage a third party in Shanghai with a proven track record of selling commercial concrete in Shanghai is far more sensible as it (a) provides flexibility; (b) allows our Group to tap into that third party's established clients in Shanghai; and (c) avoids the need to incur significant capital investment before understanding the market in Shanghai and its demand for commercial concrete.

As our Group did not know any business partner in Shanghai who had the capacity to meet the quantity and quality requirements of our Group, our Group screened and sourced subcontractor among commercial concrete manufacturers in Shanghai who were interested in such an arrangement in FY2018 and approached Customer K, a reputable commercial concrete manufacturer in Shanghai.

Customer K introduced us to the subcontractor which is a company related to Customer K. In return, Customer K asked us to sell the commercial concrete to them for reselling to the customers identified by us in Shanghai. The ultimate Shanghai customers introduced by our Group to Customer K were known to our Group through its business network, including its sales personnel or the introduction by our Group's existing customers with presence in both Nantong (Qidong City is part of Nantong) and Shanghai.

In short, the arrangement is that we provide raw materials to the subcontractor. The subcontractor produces the commercial concrete. We then sell the commercial concrete to Customer K, and Customer K resells the commercial concrete to the customers in Shanghai identified by us.

Had our Group wanted to sell directly to the ultimate customers, we would have to find another subcontractor, where the ability to produce commercial concrete acceptable to our Group was unknown, which was a big gamble. If we sell commercial concrete with poor quality to customers in Shanghai, it would have an adverse impact on our Group's reputation and would make it more difficult to explore and expand the Shanghai market in the future.

Furthermore, this arrangement will give Customer K a strong incentive to ensure that its related subcontractor produces commercial concrete with good quality which is in the interest of Customer K from the perspective of reputation.

This arrangement benefits all parties concerned, because Customer K can have business with customers identified by us in Shanghai, the subcontractor can utilise its excess capacity to produce commercial concrete for us, and we expand our market to Shanghai without the need to set up a production facility in Shanghai.

It is our Group's long term business plan that after we are familiar with the competitive landscape and the needs, specification requirements, quality and price expectation of the Shanghai end users, we will consider selling directly to end users in Shanghai and cooperate with other subcontractors who can produce commercial concrete on similar terms with good quality and at a price commercially acceptable to us.

BUSINESS

To the best knowledge and belief of our Directors, other than Customer K and the subcontractors, none of our five largest customers during the Track Record Period was also our supplier/subcontractor.

Credit period

Our customers are required to settle the amount due to us in one of the following three ways:

- (i) monthly settlement based on an agreed percentage of goods delivered, and the remaining balance will be settled after the completion of the superstructure of the customer's project;
- (ii) settlement from strategic customers when the goods cumulatively delivered exceed an agreed amount; and
- (iii) settlement based on the goods delivered.

We in general allow our customers a credit period from delivery of our products of not more than approximately 90 days. However, we will also grant a longer credit period to our long term customers or selected customers on a case-by-case basis depending on the projects, business relationship with and creditworthiness of the respective customers.

INSURANCE

We maintain employers' liability insurance including work injury and medical insurance. We do not maintain product liability and inventory insurance. During the Track Record Period, we did not recognise any material loss of cash and property.

Our Directors consider that our insurance coverage is adequate for the operation of our business, and is in line with the industry norm. During FY2016, FY2017, FY2018, 6M2018 and 6M2019, our total insurance premiums were approximately RMB120,397.7, RMB225,959.1, RMB194,190.0, RMB102,955.2 and RMB147,257.2, respectively. The significant increase of the amount of insurance premiums from FY2016 to FY2017 is because of the large turnover of outsourced workers in our manufacturing department in FY2017, as we have to take out additional employers' liability insurance for the new workers, but the insurance premium paid for workers who left would not be refunded. Due to the same reason, a lower turnover of outsourced workers led to a decrease in insurance premium in FY2018. The amount of insurance increased from 6M2018 to 6M2019 was due to the same reason in FY2017.

Certain risks disclosed in the "Risk Factors" in this prospectus, such as liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risk. For further details regarding how our Group manages certain uninsured risks, please refer to the paragraph headed "Risk management and internal control systems" in this section.

INVENTORY MANAGEMENT

Our Group generally maintains inventory levels of raw materials primarily based on our production requirements, which in turn are estimated with reference to the orders on hand, market condition based on the experience of our Group's management and market intelligence collected by our sales department. We generally maintain such level of raw materials in our inventory sufficient for four to five days of production, except for end plate and other parts, where we generally maintain sufficient inventory for three days of production and more than five days of production, respectively.

As for finished products, we only commence production when we receive order for our products, and therefore we do not keep inventory of our finished products in general, except that we produce PHC piles with the most common specifications and in such quantity based on our estimate of market demand from time to time.

Our Group conducts inventory counts from time to time for inventory management to ensure the accuracy and completeness of stock-in and stock-out record.

QUALITY CONTROL

Our production facilities are accredited with ISO9001 quality management certification, which is valid until 30 June 2021. We also established testing laboratories equipped with various testing equipment at our production facilities to conduct quality testing. Our quality control system includes raw materials, production process and finished products quality control inspections. Raw materials are tested by taking samples once the supplier is selected and from each shipment. Any raw materials which do not meet our requirements will be returned to the suppliers for replacement. We also set up multiple inspection points at different production stages to test our products. Our PHC piles are inspected and tested every six months by qualified inspection institution to ensure compliance with national standards.

We had not received material complaints on the quality of our products during the Track Record Period. As at the Latest Practicable Date, we had not been involved in any litigation nor had we entered into any settlement with any third parties concerning the quality of our products.

COMPETITION

For reasons set out in the paragraph headed "Our business model — Location of our primary market" in this section, we consider only those companies with a presence in or near Jiangsu Province as our primary competitors. According to the F&S Report, there were over 40 PHC pile manufacturers and more than 900 commercial concrete manufacturers in Jiangsu Province.

According to the F&S Report, for concrete construction materials such as PHC piles and commercial concrete, the market players will compete on (i) effective production management system which focuses on cost control, rational planning, scientific management and timely feedback; (ii) communication and cooperation of upstream suppliers and downstream customers to ensure stable supply and awareness of customers' needs; and (iii) technological innovation.

BUSINESS

The entry barriers of concrete construction material industry include (i) market access threshold set by most provinces and cities in the PRC in terms of product performance and quality; (ii) economies of scale, as large concrete construction material enterprises have strong bargaining power with suppliers to reduce procurement costs and guarantee sufficient supply; (iii) large initial capital outlay for plant construction, purchase of production equipment and raw materials, as well as sufficient cash flow to support the production, as customers will bargain for a long credit period against new market player as an incentive to try their products, while suppliers will be unwilling to grant any credit period to new market player as they have no transaction history; and (iv) preference for experience, proven track record and long term relationship by downstream customers.

For our competitive strengths, please refer to the paragraph headed “Our strengths” in this section.

PROPERTIES

As at the Latest Practicable Date, our Group did not lease any properties and we owned two parcels of land, with site areas of 52,424 sq. m. and 2,448 sq. m., respectively. The details of our two parcels of land are as follows:

One parcel of land with site area of 52,424 sq.m. is located at Wangbao Town, Qidong City, Nantong, Jiangsu Province, the PRC on which our existing production premises which comprise a factory building, a storage yard, an office building and a staff dormitory are located. We owned the land-use right which will expire on 22 May 2062.

One parcel of land with site area of 2,448 sq.m. is also located at Wangbao Town, Qidong City, Nantong, Jiangsu Province, the PRC. We are currently constructing a complex building on this parcel of land. We owned the land-use right which will expire on 17 July 2068.

They are property interests for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As these property interests for non-property activities do not have a carrying amount of 15.0% or more of our total assets as at the Latest Practicable Date, this prospectus is exempt from including a property valuation report on those property interests for non-property activities pursuant to Rule 5.01A of the Listing Rules and section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

RESEARCH AND DEVELOPMENT

Our research and development effort focuses on increasing our competitiveness in terms of pricing, further improving our operating efficiency and cost effectiveness, and rendering our operation more environmental friendly.

We invented a system, a patent application for which has been submitted during the Track Record Period, to ensure that any remnant generated in the production process of PHC piles can be reused. This process will be energy-saving and effectively minimise wastage in the production process. The patent application was still in progress as at the Latest Practicable Date. We also modified and researched on technology, manufacturing system and method of higher efficiency and cost effectiveness in producing PHC piles and commercial concrete.

BUSINESS

As at the Latest Practicable Date, our technical department comprises 15 skilled technicians including three supervisors and 12 technical officers. Most of our technical team members have received professional technical training and obtained training certificates in related profession and our supervisors had the vocational and technical education in related profession.

Raw material and consumables used for our research and development activities which were accounted for under administrative expenses amounted to nil, nil, approximately RMB10.0 million, RMB4.6 million and RMB5.4 million in FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. It primarily included expenses incurred by our Group over various technical improvement projects conducted by designated personnel of our technical department and manufacturing department.

Our Group intends to strengthen our research and development capabilities and we believe that we will benefit from improvement of our productivity and lower operation costs. We are committed to investing significant resources for our research and development activities. We plan to continue to strengthen the research and development capabilities at our current research and development facilities, including training and recruiting more research and development personnel, upgrading existing research and development equipment and accumulating industry know-how. We believe that the continued efforts in research and development will enable us to further improve our productivity and reduce the cost in the long run.

OCCUPATIONAL HEALTH AND SAFETY

The PRC has implemented various laws and regulations on labour protection. For details, please refer to the section headed “Regulatory Overview” in this prospectus.

To ensure compliance with relevant PRC regulatory requirements, we have an experienced and qualified team of personnel carrying out monthly checking on the working environment to ensure our production procedures are in line with the PRC and our safety standards and to ensure a safe working environment for our employees. We believe that this is essential in particular for the PHC pile and commercial concrete industry as production process involves heavy machinery as well as exposures to pollutants.

We have established safety guidelines which are to be strictly followed by our employees. Our workers were subject to health checks to examine their health conditions. In addition, our safety personnel conduct regular safety supervision in each business area, including the production lines, testing laboratories and office and provide our workforce with safety information and training on the operations of office equipment, production facilities, tools and testing equipment.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any incidents or complaints in relation to work safety which had materially and adversely affected our Group’s financial condition or business operations.

ENVIRONMENTAL COMPLIANCE

Dust, waste water, noise and different sorts of pollutants are generated during our production processes. For details of the environmental protection law applicable to our Group, please see the section headed “Regulatory Overview” in this prospectus.

We have established a pollution control system and installed various equipment to process and dispose of our industrial wastes to minimise the impact on the environment.

- (a) Air: We generate airborne pollutants in our PHC piles and commercial concrete production. We have adopted the following measures to reduce dust generated:
- (i) Vehicles: Incoming and outgoing transport vehicles are cleaned;
 - (ii) Road: water is sprayed on the road on a regular basis;
 - (iii) Importing raw materials: Fully enclosed conveyor belt is developed from the point of discharge to the raw material warehouse; and
 - (iv) Temporary raw materials stacked: They are fully covered by dust cloth. Further, a fully enclosed green environmental protection station is in the course of being constructed.
- (b) Waste water: We have a water treatment and recycle system which allows us to recycle and reuse waste water.
- (c) Noise: We have installed soundproof wall in our production plant to control noise generated during operations.
- (d) Transformation of boiler: We have changed the fuel of our boiler from coal to wood powder and then natural gas with a view to reducing pollutants.

As advised by the legal advisers to our Company as to PRC law, the current measures adopted by our Group to deal with various pollutions comply with national standards and requirements.

Based on the legal opinion issued by the legal advisers to our Company as to PRC law, we have complied with the relevant material environmental rules and regulations and have obtained all environmental permits and approvals necessary to conduct our business. Our cost of compliance with applicable environmental protection laws and regulations was nil, approximately RMB1.4 million, RMB2.5 million, nil and RMB1.8 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. As the PRC environmental protection regulations continue to evolve, we may be required to incur significant expenditures to upgrade our production facilities to comply with environmental regulations that may be adopted or imposed in the future.

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EMPLOYEES

As at the Latest Practicable Date, our Group had 38 full-time employees and 157 outsourced workers. The following sets forth the number of our employees in the respective functions of our Group (including our Executive Directors but not our Independent Non-executive Directors) as at the Latest Practicable Date:

	Number of employees as at the Latest Practicable Date	Number of outsourced workers as at the Latest Practicable Date	Percentage of total of staff (%)
Management	2	–	1.0
Purchasing Department	2	6	4.1
Technical Department	7	8	7.7
Accounting Department	6	2	4.1
Manufacturing Department	7	127	69.1
Maintenance Department	–	8	4.1
Sales Department	10	–	5.2
Human Resources and Administrative Department	3	6	4.6
Total	<u>37</u>	<u>157</u>	<u>100.0</u>

Employment agent

During the Track Record Period, we engaged one employment agent to provide outsourced workers for our operation. We use an employment agent instead of hiring directly because the recruitment process will be more efficient as we do not need to spend time to screen a large number of candidates to identify workers with appropriate experience. The salient terms of our agreement with the employment agent are as follows:

- (a) Term: Our agreement with the employment agent has a term of two years, from 12 August 2018 to 11 August 2020
- (b) Our responsibilities: We are responsible for providing training related to operational techniques and production safety.
- (c) Employment agent's responsibilities: The employment agent is responsible for the social insurance and housing funds for the outsourced workers. Further, it is responsible for the remunerations payable to the outsourced workers.

BUSINESS

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|----------------------------|--|
| (d) Payment term: | Settle within 15 days from the date of invoice issued by the employment agent |
| (e) Basis of fee: | Calculated based on number of workers and their posts |
| (f) Late payment interest: | 3% per month of the outstanding amount |
| (g) Termination: | No |
| (h) Dispute resolution: | By discussion then by PRC court |
| (i) Automatic renewal: | If neither party raises any objection in the last month, the agreement will be extended automatically by one year. |

We chose an employment agent based on criteria such as its background, experience, labour resources and service quality.

The employment agent we used during the Track Record Period, an Independent Third Party, has business relationship with us for over four years. As at the Latest Practicable Date, the employment agent provided 157 outsourced workers to our Group.

Pursuant to the *Interim Provisions on Labour Dispatch* (the “**Labour Dispatch Regulations**”), promulgated by the Ministry of Human Resources and Social Security on 24 January 2014 and effected on 1 March 2014, labour outsourcing arrangement* (勞務外包) and labour dispatch* (勞務派遣) are two different concepts. In relation to labour dispatch it states that an employer may only employ dispatched workers in temporary, auxiliary or substitute job positions. It further states that “temporary positions” means the positions that exist for not more than six months; “auxiliary positions” means the positions of non-main business that provide services for the positions of main businesses; and “substitutable positions” means the positions that can be held by substitute workers during a certain period of time as the employees of the employers who originally hold such positions are unable to work because they are undergoing full-time study, or on leave or for any other reason.

The outsourced workers are provided to Jiangsu Tailam pursuant to the Labour Outsourcing Contract dated 11 August 2018 entered into with our employment agent (the “**Labour Outsourcing Contract**”) to engage in the production of commercial concrete and PHC piles. Pursuant to the Labour Outsourcing Contract, the outsourced workers provided to our Group shall be qualified workers and have entered into labour contracts with our employment agent.

Our legal advisers as to PRC law have verified and confirmed that the 157 outsourced workers employed are involved in the production of commercial concrete and PHC piles, which does not fall within the definition of “temporary, auxiliary or substitute job positions” defined in the Labour Dispatch Regulations. Therefore the Labour Outsourcing Contract and the labour contracts of the outsourced workers are not subject to Labour Dispatch Regulations and are only considered a labour outsourcing arrangement. Furthermore, there is currently no dispatch worker employed by Jiangsu Tailam.

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In view of the above, our legal advisers as to PRC law are of the opinion that the Labour Dispatch Regulations are not applicable to Jiangsu Tailum in relation to its engagement of the 157 outsourced workers and our Group is in compliance with the PRC laws and regulations relating to outsourced workers.

Recruitment, remuneration and benefit

We generally recruit our employees through online recruitment platforms, and outsourced workers are provided to us by an employment agent. Our employees and outsourced workers are remunerated according to their job scope, responsibilities and performance. We pay our employees directly and we pay the employment agent for services rendered by the outsourced workers. Further, our Group provides dormitories to our employees and outsourced workers and rental subsidies if they choose not to stay in our dormitories. Our employees and outsourced workers (indirectly through the employment agent) are also entitled to discretionary bonus depending on their respective performances and the profitability of our Group. Our Group provided employers' liability insurance including work injury and medical insurance to both our employees and the outsourced workers.

Employee training

Our employees and outsourced workers received different training depending on their respective department and the scope of works. The trainings are provided internally on a regular basis. Typically they are required to attend trainings relating to our quality control, environmental, health and workplace safety policies.

Social insurance and housing provident fund

In the PRC, in accordance with the relevant national and local labour and social welfare laws and regulations, we are required to maintain social insurance and housing provident funds for our employees in the PRC. We had not subject to any penalty imposed by Qidong City Human Resources and Social Security Bureau Law Enforcement Department* (啟東市人力資源和社會保障局) and Qidong Department of Nantong Housing Provident Fund Management Centre* (南通市住房公積金管理中心啟東管理部) since we commenced to pay the social insurance and housing provident funds for our employees.

Labour union

We aim to foster an amicable and motivating environment of work to enhance productivity of our Group, protect the interests and rights of the employees and help the employees who have financial difficulties to apply for relevant subsidies from the government. Our labour union has been established since 1 June 2018 in accordance with the Trade Union Law of the PRC and General Principles of Civil Law. Our labour union sets up various channels for our employees to voice their feedback or concerns, such as labour union meetings, employees' opinion surveys and comments box.

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Employee relations

Our Directors believe that we have a good relationship with our employees. During the Track Record Period, we did not have any material dispute with our employees, nor experience any significant problems or employees/labour disturbances to our operations. We also have not experience any material difficulties in the recruitment and retention of experienced staff.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered one invention patent and three trademarks in the PRC under various categories, and we were the registered owner of a domain name, namely “tlpile.com”.

We have also applied for the registration of one more trademark in Hong Kong and two invention patents and 30 utility model patents in the PRC as at the Latest Practicable Date.

Any unauthorised use of our brand names, trademarks and other intellectual property rights could adversely affect our business, reputation and market position.

Our Group has not been notified that it had infringed any patents, copyrights or other intellectual property rights owned by other parties during the Track Record Period. Our Directors are not aware of any material infringement of others’ intellectual property rights during the Track Record Period.

For further details relating to our intellectual property, please refer to the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

LICENCES, PERMITS AND APPROVALS

Our Group has obtained and currently maintain all necessary permits and licences required for their business activities being conducted as at the Latest Practicable Date. During the Track Record Period, our Group had not experienced any instances of suspension or revocation of material licences, permits and approvals granted to us that were essential to our operations. For details of the relevant requirements, see the section headed “Regulatory Overview” in this prospectus.

The table below sets forth the material requisite licences, permits and approvals for our Group as at the Latest Practicable Date:

<u>Licence/Permit/Approval</u>	<u>Issuing authority</u>	<u>Effective date</u>	<u>Expiration date</u>
Administrative Approval for Dock Construction (准予交通行政許可決定書—准予碼頭建設)	Qidong Transportation Bureau (啟東市交通運輸局)	8 October 2019	/
Approval of Port Shorelines* (港口岸線使用許可)	Nantong Transportation Bureau* (南通市交通運輸局)	29 March 2019	28 March 2021

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<u>Licence/Permit/Approval</u>	<u>Issuing authority</u>	<u>Effective date</u>	<u>Expiration date</u>
Quality Management System Certification (質量管理體系認證證書)	Beijing Hangxie Certification Center Co., Ltd. (北京航協認證中心有限責任公司)	2 July 2015	30 June 2021
Nantong Construction Materials and Accessories Certificate* (南通市建設工程材料、構配件登記證書)	Nantong Construction Quality Supervision Station* (南通市建設工程質量監督站)	3 April 2019	2 April 2020
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Nantong Administrative Examination and Approval Department* (南通市行政審批局)	8 June 2016	6 June 2021

Our Group plans to renew the necessary licences, permits and approvals upon expiration. The legal advisers to our Company as to PRC law are of the view that there is no material legal impediment to renew these licences, permits and approvals as long as our Group is in compliance with applicable rules, laws and regulations.

The legal advisers to our Company as to PRC law are of the view that, during the Track Record Period and up to the Latest Practicable Date, our Group obtained and held all the approvals, permits, controls, licences and registrations required for our business in the PRC and that all of them remain in force.

NON-COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which had a material impact on the business and financial conditions or operating results of our Group.

LITIGATION

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial conditions or reputation. Our Directors are not involved in any actual or threatened material claims or litigation.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

In preparation for the Listing, our Company has engaged an Independent Third Party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal control system on 18 October 2018. The review covers our entity level controls and business process level controls. At the entity level, the Internal Control Consultant examined our control environment, risk assessment and management, information and communication, and monitoring systems. At the business process level, the areas reviewed include revenue and receivables, purchases, procurement and payables, production management, inventory

management, cash and treasury management, human resources, financial reporting, property, plant and equipment, tax reporting and information technology general controls. The Internal Control Consultant provided recommendations for our management's consideration to enhance our internal controls and procedures. We have taken actions to adopt the recommended measures and procedures to enhance our internal control system.

The Internal Control Consultant performed a follow-up review in January 2019 to review the status of the management actions taken by our Group to address the recommendations of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant raised no further recommendations in the Follow-up Review.

View of our Directors and the Sole Sponsor

Based on the follow up review performed by the Internal Control Consultant, our Directors confirmed, and the Sole Sponsor concurred, that our Group did not have significant deficiencies in its internal control design.

Corporate Governance

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operation. Our Board includes three Independent Non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The Independent Non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

Credit Risk Control

Our Group's accounting department reviews the ageing receivables on a monthly basis and works with the responsible sales personnel to follow up and collects the overdue trade receivables balances. New customers are usually required to pay deposits when a sales order is confirmed. Our Group did not record provision for impairment of trade receivables during the Track Record Period, as most of our sales were paid within the credit period and we did not experience any cancellation of orders or any default on the part of any of our customers which has a material adverse impact on our financial position. Our Group considers that it has adopted effective control measures and has not encountered material difficulty in the enforcement of debt collection during the Track Record Period.

Market Risks

Our Group is exposed to market risks relating to changes in the construction industry and national and local government policies. Our Directors will closely study the industry and government policies to identify and assess the market risks and will adopt different development strategies from time to time to mitigate market risks.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option), Apax Investment will be beneficially interested in approximately 59.85% of the issued share capital of our Company and is accordingly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Apax Investment is an investment holding company wholly-owned by Ms. Wong Han Yu Alice, our Executive Director and chairperson of our Board. Accordingly, Ms. Wong Han Yu Alice and Apax Investment are considered our Controlling Shareholders for the purpose of the Listing Rules. For the background of Ms. Wong Han Yu Alice, please refer to the section headed “Directors and Senior Management” in this prospectus.

Save as disclosed above, following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option), no other person is immediately directly or indirectly interested in 30% or more of the Shares then in issue or will have a direct or indirect interest in any member of our Group representing 30% or more of the equity in such entity.

Ms. Wong Han Yu Alice has been our only Controlling Shareholder, whose interest is held through Apax Investment following the Reorganisation, since the date of incorporation of Jiangu Tailam. Throughout the Track Record Period, Ms. Wong Han Yu Alice has been holding at least 60% equity shareholding in Tailam Hong Kong which in turn owned at least 90% equity shareholding in Jiangu Tailam. Other than Ms. Wong Han Yu Alice, no other shareholder of Tailam Hong Kong has owned at least 30% shareholding in the Tailam Hong Kong during the Track Record Period. At all time during the Track Record Period, the shares in Tailam Hong Kong owned by Ms. Wong Han Yu Alice were registered in her name and she was entitled to exercise more than 50% of the voting power at such general meeting of Tailam Hong Kong in respect of resolutions put to vote at the general meeting of Tailam Hong Kong which were in relation to resolutions required shareholders’ approval of Jiangu Tailam.

Prior to the Reorganisation, despite the fact that the interests of Mr. Lam Ting Tung, Mr. Wang Liangmin, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Mr. Andre Widjaja and Ms. Wong Yu Ting, together with the interest of Ms. Wong Han Yu Alice, in Jiangu Tailam were held through Tailam Hong Kong, we do not consider Mr. Lam Ting Tung, Mr. Wang Liangmin, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Mr. Andre Widjaja and Ms. Wong Yu Ting (collectively known as the “**Minority Shareholders**”) and Ms. Wong Han Yu Alice as a group of Controlling Shareholders pursuant to presumption set out in the Guidance Letter HKEX-GL89-16 (November 2016) (updated in October 2017 and February 2018) (the “**Guidance Letter**”) based on the following factors and circumstances:

- (a) The Minority Shareholders’ investments in our Group are passive in nature, and none of them were involved in or are currently involved in the day-to-day operations and management of our Group since the establishment of Jiangu Tailam despite some of them were appointed or are currently the directors or supervisors of the members of our Group. In those appointments and capacities, each of them had only been involved in approving routine corporate decisions.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The investments by Mr. Wang Liangmin, Mr. Wong Leung Yau, Ms. Wong Chiu Ling and Ms. Wong Yu Ting in Jiangsu Tailam were approved so that they can share the future potential and benefits of Jiangsu Tailam as the family members of Ms. Wong Han Yu Alice while the investment of Mr. Andre Widjaja was approved in recognition of the established business relationship between him and Ms. Wong Han Yu Alice and her family members with respect to the timber business.

Their roles as directors and supervisors of the members of our Group are non-executive in nature and, as the case may be, being supervisors of Jiangsu Tailam, they have the powers and duties provided for under the PRC laws, among other things, to inspect the company finances and to supervise the performance of duties by directors and senior management personnel and propose to remove a director or senior management personnel who violates the provision of the laws and administrative regulations and the articles of association of the company or the resolutions of the board of shareholders.

To the knowledge of our Directors, during the Track Record Period when Mr. Lam Ting Tung and Mr. Wang Liangmin were shareholders of Tailam Hong Kong, Mr. Lam Ting Tung was the director of sales of Shanghai Baoshanqu Rongxin Mucui Jingyingbu* (上海寶山區融信木材經營部), a retail supplier of wood and wood products, responsible for the product marketing of the enterprise; while Mr. Wang Liangmin was the executive director of Wujiang Hengtai Concrete Products Co., Ltd.* (吳江市恒泰混凝土製品有限公司), a company principally engaged in the manufacture and sale of commercial concrete and products and prefabricated components, and sale of construction and metallic materials, and he was responsible for the daily operations of the company. Mr. Andre Widjaja is an entrepreneur and has been engaged in the management and fluent operations of PT Lentera Panduartha Makmur, an investment company, since July 2014. Mr. Wong Leung Yau is an entrepreneur and has been engaged in the daily operations of Tailam International since 2005. Ms. Wong Chiu Ling is currently a director of SQ Prime International Limited, a timber manufacturer and supplier, and she handles the daily operations of the company. During the Track Record Period, Ms. Wong Yu Ting was employed by GNO.com Limited and was appointed as the chief operation officer, Greater China of GNO.com Limited on 1 October 2016. Following a corporate exercise involving GNO.com Limited and Pruvit Venture, Inc., she is currently the chief operation officer, Greater China of Pruvit (HK) Limited, a health supplement supplier.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) Each of the Minority Shareholder exercised their voting rights and has confirmed that they will continue exercising their voting right at the general meeting of Tailam Hong Kong independently from Ms. Wong Han Yu Alice and the other Minority Shareholders. There is no arrangement, agreement or understanding (whether formal or informal) between the Minority Shareholders and Ms. Wong Han Yu Alice on the management of our Group and the exercise of their voting rights on shareholders' resolutions involving key decisions other than routine resolutions with respect of Tailam Hong Kong and Jiangsu Tailam. Tailam Hong Kong has in the past obtained its shareholders' approvals with regard to the shareholders' resolutions involving key decision relating to Jiangsu Tailam and our Directors confirmed that, after having reviewed the minutes of meetings, the Minority Shareholders and Ms. Wong Han Yu Alice did not vote under mutual consensus in the shareholders' meetings in the most recent financial year of the Track Record Period (i.e. FY2018); and
- (c) Our Group has not undergone any material change in influence of management since the incorporation of Jiangsu Tailam. Ms. Wong Han Yu Alice is one of the founders of our Group. She has been the director of Jiangsu Tailam and has been involved in the management and operations of Jiangsu Tailam since the date of its incorporation. She is also our Executive Director and chief executive officer who is responsible for the overall strategic planning and business direction and management of our Group. Taking into consideration of the above, Ms. Wong Han Yu Alice was and is able to exert substantial influence on the directors and in the actual management of our Group including Jiangsu Tailam, which has been operated as an integrated unit under Ms. Wong Han Yu Alice; and she has remained our only Controlling Shareholder, whose interest is held through Apax Investment following the Reorganisation, since the date of incorporation of Jiangsu Tailam and up to the Latest Practicable Date.

DELINEATION OF BUSINESS

Our Controlling Shareholder, Ms. Wong Han Yu Alice and her associates controls Tailam International, which is owned as to 15% by Ms. Wong Han Yu Alice, 15% by Mr. Wong Chiu Wai and 70% by Mr. Wong Leung Yau. Apart from an one-off transaction for an amount of RMB9,100 between Jiangsu Tailam and an Independent Third Party supplier during FY2018 whereby Jiangsu Tailam purchased timber flooring from such supplier on behalf of its customer at cost, our Directors are of the view that there is clear delineation of the business of our Group and the business of Tailam International and as a result, none of the businesses of Tailam International and our Group would compete, or are expected to compete, directly or indirectly, with our businesses.

The table below sets forth the principal business of our Group and Tailam International as at the Latest Practicable Date:

	<u>Principal business operations</u>
Our Group	Manufacture and sell of PHC piles and commercial concrete in the PRC
Tailam International	Trading of timber products in various jurisdictions

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on its business independently of, and does not place undue reliance on, the Controlling Shareholders and their close associates upon Listing, taking into account of the following factors:

Management independence

The management and operational decisions of our Group are made by our Board and our senior management. Although the Controlling Shareholders will retain controlling interest in our Company upon completion of the Capitalisation Issue and the Share Offer, our Board comprises three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Ms. Wong Han Yu Alice is our Executive Director, chairperson of our Board and Controlling Shareholder. Our Directors consider that our Board will function independently from the Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum.
- (iii) our Group has established its own management, operation and procurement, technical support, administration and accounting divisions which are responsible for daily operations of our Group;
- (iv) with three Independent Non-executive Directors out of a total Board size of seven, there will be a sufficiently robust and independent voice on our Board to counter-balance any situation of conflict of interest and protect the interests of the independent Shareholders; and
- (v) most of our senior management members have substantial experience in the industry our Group is engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from the Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

Our Company has its own financial management and accounting systems, administration and accounting department and makes financial decisions according to its own business needs.

During the Track Record Period, our Group has obtained four bank borrowings which are secured by guarantees or private property of our existing Shareholders or a deemed connected person of our Company:

- (i) the bank borrowing of RMB3 million which is currently guaranteed by Mr. Wong Leung Yau and secured by pledge of our Group's construction in progress, was previously guaranteed by Ms. Wong Han Yu Alice and Mr. Wong Leung Yau and secured by pledge of residential properties owned by Mr. Wong Leung Yau and Ms. Lee Mei Wai, the spouse of Mr. Wong Leung Yau and mother of Ms. Wong Han Yu Alice;
- (ii) the bank borrowing of RMB8 million, with outstanding principal balance of RMB7 million as at 31 October 2019, is guaranteed by Nantong Kangtai, a deemed connected person of our Company;
- (iii) the bank borrowing of RMB22 million is guaranteed by Ms. Wong Han Yu Alice and secured by pledge of our Group's buildings and land use right; and
- (iv) the bank borrowing of RMB11 million, with outstanding principal balance of RMB9.9 million as at 30 June 2019, is secured by pledge of a commercial property owned by Mr. Wong Leung Yau.

For further details, please refer to note 30 to the Accountant's Report as set out in the Appendix I to this prospectus.

We will apply and will irrevocably instruct the Placing Underwriters for the Listing to apply approximately 32.5% of the net proceeds from the Share Offer to repay approximately RMB19.5 million of the bank borrowings set out in paragraphs (i), (ii) and (iv) above within three months after the Listing, while the remaining bank borrowing of approximately RMB0.4 million of the said bank borrowings as at 31 October 2019, will be repaid prior to or upon the Listing using our internal resources. The guarantees and pledge of commercial property provided by our Directors and deemed connected person of our Company to secure the bank borrowings as set out in paragraphs (i), (ii) and (iv) above, will be released and discharged upon early repayment of the bank borrowings. Since the bank borrowings mentioned in paragraphs (i), (ii) and (iv) will be repaid after Listing as set out above, bank consents to release and discharge the guarantees and collateral as set out in paragraphs (i), (ii) and (iv) above will not be obtained. We have, on 25 February 2019, obtained the bank consent for the release of the personal guarantee provided by Ms. Wong Han Yu Alice to secure the bank borrowing mentioned in paragraph (iii) above upon Listing. In addition to the above bank borrowings to be repaid, we are required to bear the prepayment penalty at the rate of between 0.5% to 1.0% of the repayment amount calculated daily on the basis of a 360-day year for the remaining tenure of the bank borrowing if we prepay the bank borrowing set out in paragraph (iv) above more than one month or six months, as the case may be, before its maturity date. The prepayment penalty payable by our Group to the bank, as at the date of Listing, will be approximately RMB25,000. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pursuant to the Loan Waiver Deed, Ms. Wong Han Yu Alice agreed to waive a portion of the non-interest-bearing loan of an amount equivalent to approximately RMB50.2 million due and payable by Tailam Hong Kong to her, conditionally upon the Listing. The remaining balance of the non-interest-bearing loan due and payable by Tailam Hong Kong to Ms. Wong Han Yu Alice will be repaid before the Listing using our internal resources.

Our Directors believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on the Controlling Shareholders after the Share Offer. Therefore, our Directors consider that our Group will be financially independent from the Controlling Shareholders upon Listing.

Operational independence

Although the Controlling Shareholders will retain a substantial interest in our Company after Listing, our Company has full rights to make all decisions regarding, and to carry out, its own business operations independently. Our Company (through its own subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry on the businesses, and has sufficient capital, equipment and employees to operate the business independently from the Controlling Shareholders. In addition, the organisational structure is made up of individual departments, each with specific areas of responsibilities. Our Company has also established a set of internal controls to facilitate the effective operation of the business.

As disclosed under the section headed “Connected Transactions” in this prospectus, our Group expects to have continuing connected transactions with Nantong Kangtai and Mr. Wang Chaohuai, for the supply of transportation services and raw materials (namely sand and gravel). Sand and gravel are not rare commodities and do not require any special processing. Our Directors do not foresee any difficulty in finding substitute supplier of sand and gravel in the unlikely event that Mr. Wang Chaohuai ceases to provide any sand and gravel to us. In addition, according to the agreements between our Group and Mr. Wang Chaohuai and his company, we pay market price for the sand and gravel. Therefore, there will be no financial impact on our Group even if we switch to another supplier for sand and gravel, as we are not enjoying any preferential price from Mr. Wang Chaohuai in the first place. Accordingly, our Directors believe that connected transactions with each of Nantong Kangtai, Mr. Wang Chaohuai and Supplier I do not, and will not affect our operational independence as our Group’s ability to source from new suppliers in substitution of the said transactions.

Based on the above, our Directors are satisfied that our Company has been operating independently from the Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently.

CONNECTED TRANSACTIONS

OVERVIEW

CONNECTED PERSONS

During the Track Record Period, we entered into certain transactions in the ordinary course of business on normal commercial terms with the following connected persons of our Company under the Listing Rules who are expected to continue to conduct such transactions with our Group following the Listing and will become connected persons of our Company under the Listing Rules following the Listing:

<u>Connected person</u>	<u>Connected relationship</u>
Mr. Wang Chaohuai	Mr. Wang Chaohuai is the cousin of Ms. Wong Han Yu Alice (our chairperson, Executive Director, chief executive officer and Controlling Shareholder), Mr. Wong Chiu Wai (our Executive Director and general manager), Ms. Wong Chiu Ling and Ms. Wong Yu Ting and the nephew of Mr. Wong Leung Yau (our Non-executive Director). Accordingly, he is deemed to be a connected person pursuant to the Listing Rules.
Supplier I	Supplier I is a limited partnership which is 51% owned by Mr. Wang Chaohuai and 49% owned by Mr. Wang Qing. Mr. Wang Chaohuai is the cousin of Ms. Wong Han Yu Alice (our chairperson, Executive Director, chief executive officer and Controlling Shareholder), Mr. Wong Chiu Wai (our Executive Director and general manager), Ms. Wong Chiu Ling and Ms. Wong Yu Ting and the nephew of Mr. Wong Leung Yau (our Non-executive Director). Mr. Wang Qing is the uncle of Ms. Wong Han Yu Alice, Mr. Wong Chiu Wai, Ms. Wong Chiu Ling and Ms. Wong Yu Ting and the brother-in-law of Mr. Wong Leung Yau. Accordingly, Supplier I is deemed to be a connected person pursuant to the Listing Rules.
Nantong Kangtai	Nantong Kangtai is owned as to 55% by Mr. Wang Chao Yu and 45% by an Independent Third Party. Mr. Wang Chao Yu is the nephew of Mr. Wong Leung Yau (our Non-executive Director), the cousin of Ms. Wong Han Yu Alice (our chairperson, Executive Director, chief executive officer and Controlling Shareholder), Mr. Wong Chiu Wai (our Executive Director and general manager), Ms. Wong Chiu Ling and Ms. Wong Yu Ting. Accordingly, Nantong Kangtai is deemed to be a connected person pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

A. Fully Exempt Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions entered into by our Group are fully exempted from shareholders' approval, annual review, and all disclosure requirements as set out in Chapter 14A of the Listing Rules upon Listing as all applicable percentage ratios of the relevant transactions are expected to be less than 0.1% or less than 5.0% and the total annual consideration is less than HK\$3.0 million, which is within the *de minimis* threshold stipulated in Rule 14A.76(1) of the Listing Rules.

Nantong Kangtai Transportation Services

During the Track Record Period, we obtained transportation services from Nantong Kangtai.

Principal terms: Our Company entered into a transportation service agreement on 5 November 2019, pursuant to which, Nantong Kangtai has agreed to provide transportation services to our Group to transport commercial concrete (the “**Transportation Agreement**”). The Transportation Agreement will be effective from the Listing Date to 31 December 2021 (the “**Initial Term**”), provided that the parties shall have the right to unilaterally terminate the agreement at any time during the Initial Term by giving to the other party not less than 30 Business Days' prior written notice. Notwithstanding the above, a party to the agreement shall be entitled to terminate the agreement with immediate effect if, among other things, the transactions contemplated in the agreement cease to be subject to the Listing Rules in relation to the Continuing Connected Transactions or the other party breaches the terms of the agreement or undergoing liquidation proceedings.

Reasons for transactions: Nantong Kangtai is familiar with our business nature and demands and they can provide transportation services on a timely basis. Our Directors consider that providing and maintaining high quality service to our end customers is important and beneficial to our current and future operations.

Pricing policy: The pricing for the transportation services is determined with reference to the price comparable to the types of services and terms provided by independent suppliers under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to our Group than is available from independent suppliers. Our Group will contemporaneously seek and compare the quotations and terms of services of at least two other independent suppliers offering the same or comparable services against the quotation and terms of services of Nantong Kangtai, by providing them with similar details of services requested such as place of delivery, time of delivery and volume of commercial concrete to be delivered. Our Group would engage Nantong Kangtai for the provision of the services if the price and terms of the services offered are comparable to or more favourable to our Group than those offered by independent suppliers and after having considered the strategic need to ensure uninterrupted supplies of the services to our Group.

CONNECTED TRANSACTIONS

Historical amounts: Since the commencement of the Track Record Period, Jiangsu Tailam has gradually reduced the delivery services as part of the sale of commercial concrete to its customers, unless at the request of its customers due to their internal policy that the delivery services must be included as part of their purchase of commercial concrete. In such cases, Jiangsu Tailam will arrange for delivery of the commercial concrete with transportation fees to be borne by its customers. For FY2016, FY2017, FY2018 and 6M2019, the aggregate historical transaction amounts of transportation services provided by Nantong Kangtai to us were as follows. There was no amount incurred by our Group for transportation services during FY2018 and 6M2019 because there was no request from our customers to include the delivery services as part of their purchase of the commercial concrete during such periods.

	FY2016	FY2017	FY2018	6M2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Transportation services incurred by our Group	766,391	178,253	Nil	Nil

Annual caps: For the years ending 31 December 2019, 2020 and 2021 the maximum annual amount shall not exceed the following caps:

	Year ending 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total amount of consideration (approximately)	500	500	500

Basis of caps: The proposed annual caps set out above are determined after arm's length negotiations between the parties with reference to (i) the total transportation fees paid to Nantong Kangtai for the previous project which Jiangsu Tailam's customer required the delivery services; (ii) the estimated quantity of transportation services to be requested by us to deliver the commercial concrete to our customers who require the delivery service to be included as part of their purchase of the commercial concrete for their potential projects with the transportation fee to be included in our contract price and borne by the customers; and (iii) the prevailing market rates of transportation services of similar nature.

Tradenname and Trademark Licence

On 5 November 2019, Jiangsu Tailam and Tailam International concluded a deed of tradenname and trademark licence (the "**Deed of Tradenname and Trademark Licence**"), pursuant to which Tailam International agreed to grant to Jiangsu Tailam and other members of our Group exclusive and non-transferable right and licence to use its tradenames "Tailam" and "泰林" (collectively, the "**Tradenames**") and trademarks registered in the PRC and Hong Kong (the "**Trademarks**") for a perpetual term commencing from 5 November 2019, which is subject to the renewal of the licensed trademarks, on a

CONNECTED TRANSACTIONS

royalty-free basis. Jiangsu Tailam may terminate the Deed of Tradename and Trademark by giving Tailam International a written notice of not less than six months. However, Tailam International shall not during the term of the Deed of Tradename and Trademark Licence terminate the Tradename and Trademark Licence. Details of the Trademarks are set forth in the section headed “Statutory and General Information — B. Further Information about the Business of Our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Our Directors believe, and the Sole Sponsor concurs, that entering into the Deed of Tradename and Trademark Licence with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Company and our Shareholders as a whole. Our Directors are of the view, and the Sole Sponsor concurs, that it is normal business practice for agreements of this type to be of such duration.

Tailam International is a company controlled by our Controlling Shareholder and her associates, which is owned as to 15% by Ms. Wong Han Yu Alice and 15% by Mr. Wong Chiu Wai and 70% by Mr. Wong Leung Yau. Tailam International is therefore a connected person of our Company by virtue of being an associate of our Controlling Shareholder and her associates. Accordingly, the transactions contemplated under the Deed of Tradename and Trademark Licence which will continue after the Listing shall constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As the right to use the Tradenames and Trademarks is granted to our Group on a royalty-free basis under the Deed of Tradename and Trademark Licence, the transactions contemplated under the Deed of Tradename and Trademark Licence were entered into on normal commercial terms and the applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis.

B. Non-exempt Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions entered into by our Group are non-exempt continuing connected transactions which are subject to the announcement, annual reporting, annual review and independent shareholders’ approval requirements as set out in Chapter 14A of the Listing Rules upon Listing as the highest applicable percentage ratio (other than the profit ratio) for the non-exempt continuing connected transactions for the three years ending 31 December 2021 is expected to exceed 5.0% and the total annual consideration is more than HK\$10.0 million.

Purchase of raw material from Mr. Wang Chaohuai/Supplier I

During the Track Record Period, we purchased sand and gravel from Mr. Wang Chaohuai and/or Supplier I. Since 1 January 2019, we ceased to purchase sand and gravel from Supplier I.

Principal terms: Our Company entered into a framework agreement with Mr. Wang Chaohuai dated 5 November 2019 pursuant to which, Mr. Wang Chaohuai has agreed to provide sand and gravel to our Group (the “**Raw Material Purchase Agreement**”). The framework agreement will take effect from the Listing Date until 31 December 2021 (the “**Initial Term**”), provided that the parties shall have the right to unilaterally terminate the agreement at any time during the Initial Term by giving to the other party not less than 30 Business Days’ prior written

CONNECTED TRANSACTIONS

notice. Notwithstanding the above, a party to the agreement shall be entitled to terminate the agreement with immediate effect if, among other things, the transactions contemplated in the agreement cease to be subject to the Listing Rules in relation to the continuing connected transactions or the other party breaches the terms of the agreement or undergoing liquidation proceedings.

Reasons for transactions: Our Directors are of the view that Mr. Wang Chaohuai and/or his controlled company are able to provide the sand and gravel on a timely basis when and as required. Our Directors consider that being able to procure sand and gravel at market price with stable quality is important and beneficial to our current and future operations.

Pricing policy: The prices are determined in accordance with industrial market price for the product and may be adjusted as agreed by both parties after arm's length negotiations.

Historical amounts: For FY2016, FY2017, FY2018 and 6M2019, the aggregate historical transaction amount of raw material (namely sand and gravel) we procured from Mr. Wang Chaohuai/Supplier I were as follows:

	FY2016	FY2017	FY2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw material purchased by our Group	23,175	84,373	96,570	20,802

Annual caps: For the years ended 31 December 2019, 2020 and 2021 the maximum annual amount of raw material purchased from Mr. Wang Chaohuai shall not exceed the following caps:

	Year ending 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total amount of consideration (approximately)	97,000	97,000	97,000

Basis of caps: The proposed annual caps set out above are determined after arm's length negotiations between the parties with reference to (i) the historical transaction amounts between our Group and Mr. Wang Chaohuai/Supplier I; (ii) the expected increase in quantity of raw material to be requested by us on an annual basis; and (iii) the prevailing market rates of raw materials of similar nature.

Application for waiver

For each of the financial years ending 31 December 2019, 2020 and 2021, the highest applicable percentage ratio (other than the profit ratio) for the non-exempt Continuing Connected Transactions in respect of the Raw Material Purchase Agreement is expected to exceed 5.0%. Accordingly, the non-exempt Continuing Connected Transaction is subject to the announcement, annual reporting, annual review and independent shareholders' approval requirements under Rules 14A.35, 14A.36, 14A.49, 14A.68 and 14A.71 of the Listing Rules.

CONNECTED TRANSACTIONS

We have applied for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement and independent shareholders' approval requirement, under the Listing Rules for these non-exempt continuing connected transactions. Apart from the announcement and independent shareholders' approval requirements for which waivers have been sought and granted, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Confirmation from Directors

Having taken into account the information set out above, our Directors (including our Independent Non-executive Directors) confirm that the continuing connected transactions have been and will be entered into in or incidental to the ordinary and usual course of our Group's business, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors with conflicted interest in the continuing connected transactions described in this section shall be required to abstain from voting on relevant Board resolutions in relation to such continuing connected transactions.

Confirmation from the Sole Sponsor

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Company and has participated in due diligence and discussions with our Company and its legal advisers and has also considered representations and confirmations from our Directors to satisfy themselves of the reliability of the information provided in relation to the non-exempt continuing connected transactions as described above. Based on the above, the Sole Sponsor is of the view that the non-exempt continuing connected transactions are in the ordinary and usual course of our Company's business, on normal commercial terms or better, are fair and reasonable and in the interests of the shareholders of our Company as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible for and has general powers for the management and conduct of our business. Our Board consists of seven Directors, comprising three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The table below sets forth certain information regarding our Directors.

Name	Age	Present position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and/or senior management
Ms. Wong Han Yu Alice (王嫻俞女士)	43	Chairperson, Executive Director and chief executive officer	Responsible for overall strategic planning and business direction and management of our Group	June 2011	7 March 2019	Daughter of Mr. Wong Leung Yau, sister of Mr. Wong Chiu Wai and sister-in-law of Ms. Chan Siu Yin
Mr. Wong Chiu Wai (王朝緯先生)	34	Executive Director and general manager	Responsible for overseeing the overall management and operations of our Group	June 2011	7 March 2019	Son of Mr. Wong Leung Yau, brother of Ms. Wong Han Yu Alice and spouse of Ms. Chan Siu Yin
Ms. Jiang Yin Juan (蔣銀娟女士)	66	Executive Director and financial controller	Responsible for overall financial and accounting management of our Group	September 2014	7 March 2019	None
Mr. Wong Leung Yau (王良友先生)	69	Non-executive Director	Responsible for providing advice to our Board on general management and marketing strategies	March 2016	7 March 2019	Father of Ms. Wong Han Yu Alice and Mr. Wong Chiu Wai and father-in-law of Ms. Chan Siu Yin
Mr. Lai Chun Yu (黎振宇先生)	43	Independent Non-executive Director	Responsible for providing independent opinion and judgment to our Board	31 October 2019	31 October 2019	None
Mr. Cui Yu Shu (崔玉舒先生)	35	Independent Non-executive Director	Responsible for providing independent opinion and judgment to our Board	31 October 2019	31 October 2019	None
Ms. Wong Siu Yin Rosella (黃小燕女士)	59	Independent Non-executive Director	Responsible for providing independent opinion and judgment to our Board	31 October 2019	31 October 2019	None

DIRECTORS AND SENIOR MANAGEMENT

Our Directors are supported by our senior management in the day-to-day management of our business. The table below sets forth certain information regarding member of our senior management.

Name	Age	Present position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and/or senior management
Ms. Chan Siu Yin (陳小燕女士)	29	Assistant to the chief executive officer	Responsible for overall planning and overseeing the daily administration of our Group	September 2013	Daughter-in-law of Mr. Wong Leung Yau, spouse of Mr. Wong Chiu Wai and sister-in-law of Ms. Wong Han Yu Alice

Executive Directors

Ms. Wong Han Yu Alice (王嫻俞女士), aged 43, is one of the founders of our Group, our Controlling Shareholder, chairperson of our Board, Executive Director and chief executive officer. Ms. Wong is responsible for overall strategic planning and business direction and management of our Group. She has over 14 years of experience in business management and over eight years of experience in concrete supplies industry. Since June 2011, Ms. Wong has successively served in various roles in our Group, including, among others, the director of Jiangsu Tailam since June 2011, the director and general manager of Tailam Hong Kong since August 2014 and the chief executive officer of Jiangsu Tailam since July 2017, in which she was mainly responsible for building strategic partnerships and overseeing the overall management of our Group. She has been a director of Tailam International (HK) Co. Ltd. and Shanghai Elite Trading Co., Ltd.* (上海百易達貿易有限公司) since October 2005 and October 2007, respectively where she was mainly responsible for the overall management of the companies. Both Tailam International (HK) Co. Ltd. and Shanghai Elite Trading Co., Ltd.* import and export wood products and building materials.

Ms. Wong obtained a Diploma in Management from Swinburne University of Technology in May 2000 and a certificate majoring in Business Administration from Antai College of Economics and Management, Shanghai Jiaotong University* (上海交通大學安泰經濟與管理學院) in December 2006. She has also completed the international innovation management course in School of Continuing Education, Tsinghua University* (清華大學繼續教育學院) in August 2011.

Ms. Wong is the daughter of Mr. Wong Leung Yau, eldest sister of Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai, sister-in-law of Ms. Chan Siu Yin and cousin of Mr. Wang Chao Hong.

Ms. Wong was a director of the following companies at the time of their respective dissolution or business licence revocation. As confirmed by Ms. Wong, (i) the companies were solvent at the time of their dissolution or business licence being revoked; and (ii) to her best knowledge, the dissolution or business licence revocation of these companies was not due to her own fault or involved any integrity issue of herself and has not resulted in any punishment imposed on her by any administration bureaus for industry and commerce, nor any liability or obligation being imposed against her:

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation	Nature of business	Status	Reason for dissolution/revocation of business licence	Date of dissolution/revocation of business licence
China Focus Development Limited (中望發展有限公司)	Hong Kong	Property development company	Deregistration	Cessation of business	4 March 2016
Wuzhou Zhongkai Real Estate Development Co. Ltd.* (梧州市中凱房地產開發有限公司)	PRC	Property development company	Deregistration	Cessation of business	4 June 2019
Jiangsu Hongji Zhaoye Investment Co., Ltd.* (江蘇宏基兆業有限公司)	PRC	Providing technology and engineering related services	Deregistration	No operation since incorporation	19 February 2019

Mr. Wong Chiu Wai (王朝緯先生), aged 34, is our Executive Director and general manager. Mr. Wong is responsible for overseeing the overall management and operations of our Group. Mr. Wong has eight years of experience in concrete supplies industry. He joined our Group as a deputy general manager of Jiangsu Tailam since June 2011. He has been the director of our subsidiaries, Tailam Hong Kong and Jiangsu Tailam since August 2015 and March 2016 respectively. He was appointed as the general manager of Jiangsu Tailam in June 2017. His duties include overseeing the daily operation, building strategic partnerships and planning the allocation of resources.

Mr. Wong graduated with a diploma of Business Administration degree from Santa Monica College in July 2011.

Mr. Wong is the son of Mr. Wong Leung Yau, younger brother of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling and Ms. Wong Yu Ting, spouse of Ms. Chan Siu Yin and cousin of Mr. Wang Chao Hong.

Mr. Wong was a director of Wuzhou Zhongkai Real Estate Development Co. Ltd.* (梧州市中凱房地產開發有限公司) at the time when it was being deregistered. As confirmed by Mr. Wong, (i) the company was solvent at the time of its business licence being revoked; and (ii) to his best knowledge, the revocation of the business licence was not due to his own fault or involved any integrity issue of himself and has not resulted in any punishment imposed on him by any administration bureaus for industry and commerce, nor any liability or obligation being imposed against him.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Jiang Yin Juan (蔣銀娟女士), aged 66, is our Executive Director and chief financial officer. Ms. Jiang is responsible for overall financial and accounting management of our Group. She joined our Group in September 2014 and has served as the financial director of Jiangsu Tailam since then. Ms. Jiang possesses over 40 years of working experience in accounting and finance industries. Before joining our Group, she served as an accountant at Shanghai Xinyi Telecom Part Products Factory* (上海新益電訊零件產品廠) from February 1973 to December 1987 and an accounting supervisor at Shanghai Xuhui District Civil Affairs Enterprise Company* (上海市徐匯區民政企業公司) from January 1988 to June 2000. She was the audit appraiser at Shanghai Huiye Asset Appraisal Firm* (now known as Xuhui Branch of Shanghai Huiye Asset Evaluation Co., Ltd.*) (上海匯業資產評估事務所，現為「上海匯業資產評估有限公司徐匯分公司」) from July 2000 to December 2001. From March 2002 to January 2014, she worked at Shanghai Huashen Asset Appraisal Co. Ltd.* (上海華審資產評估有限責任公司), where she last served as audit appraiser.

Ms. Jiang obtained a certificate majoring in accounting from Shanghai University of Finance and Economics (上海財經大學) in December 1995. She is a certified public accountant and certified public valuer since December 2002 and August 1997, respectively.

Non-executive Director

Mr. Wong Leung Yau (王良友先生), aged 69, is one of our Shareholders and our Non-executive Director. Mr. Wong is responsible for providing advice to our Board on general management and marketing strategies. He joined our Group as the chairman of supervising committee of Jiangsu Tailam and director of Tailam Hong Kong since March 2016 and August 2015, respectively. Mr. Wong has over 25 years of experience in real estate, construction and development industries. Prior to joining our Group, he has been the director of Tailam International (HK) Co. Ltd. since October 2005, a company engages in the import and export of wood products and building materials. He has also served in various roles at the following real estate development companies, including, director and general manager of Fujian Fuqing Longjiang Real Estate Development Co., Ltd.* (福建福清龍江房地產開發有限公司) from January 1992 to July 1998 and director and general manager of Hunan Jinghua Real Estate Development Co., Ltd.* (湖南省景華房地產開發有限公司) from February 1995 to June 1999, in which he was primarily responsible for overall development and investment strategies of the companies. Since October 2005 and October 2010, Mr. Wong has been concurrently serving as a director of China Wealth International Limited (中和國際有限公司), an investment company and director of Billion Joy Corporation Limited (兆欣興業有限公司), a trading and investment company.

Mr. Wong Leung Yau completed his junior high school from Fuqing No. 5 Middle School (福清五中), Fuqing, the PRC in July 1967.

Mr. Wong Leung Yau is the father of Ms. Wong Han Yu Alice, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Mr. Wong Chiu Wai, father-in-law of Ms. Chan Siu Yin and uncle of Mr. Wang Chao Hong.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Cui Yu Shu (崔玉舒先生), aged 35, was appointed as our Independent Non-executive Director on 31 October 2019. He is responsible for providing independent opinion and judgment to our Board. Mr. Cui has extensive experience in the management consulting and investment industries. From December 2005 to April 2011, he served as a senior management consultant in Zhejiang Zhongcheng Enterprise Management Consulting Co. Ltd.* (浙江眾成企業管理諮詢有限公司). From April 2011 to February 2016, he worked at Hangzhou Shen Shi Energy Saving Technology Co. Ltd.* (杭州沈氏節能科技股份有限公司) where he last served as a deputy general manager and secretary to the board of directors. Since February 2016, Mr. Cui has been the vice president of An Feng Venture Capital Co. Ltd.* (安豐創業投資有限公司), an investment services company. In 2016, he has his book, *Manager's Self-cultivation — the Essence of SMEs' Governance, Management and Transition** (管理者的自我修養—中小企業治理、管理與轉型精髓) published by Zhejiang University Press.

Mr. Cui graduated with a Bachelor's degree in Science from Zhejiang University* (浙江大學) in June 2006. He holds several qualifications including the certificate of qualified management consultant issued by the China Enterprise Confederation (中國企業聯合會), certificates of qualified securities and fund practitioner issued by the Securities Association of China (中國證券業協會) and certificate of qualified board of directors' secretary issued by the Shenzhen Stock Exchange (深圳證券交易所). Mr. Cui received a Master's degree in Economics from Renmin University of China* (中國人民大學) in June 2019.

Mr. Lai Chun Yu (黎振宇先生), aged 43, appointed as our Independent Non-executive Director of our Company on 31 October 2019. He is responsible for providing independent opinion and judgment to our Board. Mr. Lai has had extensive experience working for private companies, listed companies and professional firms in finance, accounting and auditing since 1999. Prior to joining our Group, Mr. Lai worked at Ernst & Young as an accountant from July 2000 to December 2003. In January 2004, he was employed as an accountant under Proview International Holdings Limited (now known as China Display Optoelectronics Technology Holdings Limited, a company listed on the Stock Exchange with stock code: 334). Since 28 February 2018, Mr. Lai has served as a director of MCGI Consultancy Limited, a consultancy firm in Hong Kong. In addition, he held several senior positions in the following listed companies:

Name of entity	Principal business	Position and duration of service
Qin Jia Yuan Media Services Company Limited (勤+緣媒體服務有限公司) (now known as SMI Culture & Travel Group Holdings Limited (星美文化旅遊集團控股有限公司)) (a company listed on the Stock Exchange with stock code: 2366)	Provision of media, marketing, television programming and public relations services	Financial controller (last position) from August 2005 to June 2007
Amber Energy Limited (琥珀能源有限公司) (now known as Puxing Clean Energy Limited (普星潔能有限公司)) (a company listed on the Stock Exchange with stock code: 90)	Provision of clean energy using natural gas	Company secretary from May 2009 to June 2017 Executive director from April 2013 to June 2016

DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Position and duration of service
Anxian Yuan China Holdings Limited (安賢園中國控股有限公司) (formerly known as China Boon Holdings Limited) (a company listed on the Stock Exchange with stock code: 922)	Provision of funeral services and products	Independent non-executive director from October 2014 to August 2018

Mr. Lai graduated from the Queensland University of Technology, Australia with the degree of Bachelor of Business in Accountancy in August 1999. Mr. Lai has been a Certified Practising Accountant of CPA Australia since November 2002. Mr. Lai was admitted as a Certified Public Accountant by and became a fellow of The Hong Kong Institute of Certified Public Accountants January 2004 and June 2010, respectively.

Ms. Wong Siu Yin Rosella (黃小燕女士), aged 59, was appointed as our Independent Non-executive Director on 31 October 2019. She is responsible for providing independent opinion and judgment to our Board. Ms. Wong began her legal practise at Woo Kwan Lee & Lo in August 2003 and was promoted as a consultant in April 2009. In April 2014, she became a partner of the firm. She retired from partnership of the firm effective in March 2019. Since July 2019, Ms. Wong has been serving as the executive assistant to the managing director of a company, which together with its subsidiaries, principally engaged in property investment and development.

Ms. Wong obtained a Bachelor of Laws degree with First Class Honours from University of Buckingham in March 2001. She was admitted as a solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales in August 2003 and March 2004, respectively. Ms. Wong further obtained a Master in Law from Renmin University of China (中國人民大學) in June 2005.

Disclosure required under Rule 13.51(2) of the Listing Rules

Our Directors held the following positions in Jiangsu Tailam at that time when it was listed on the NEEQ:

Name	Positions
Ms. Wong Han Yu Alice	Director and general manager
Mr. Wong Chiu Wai	Director and deputy general manager
Ms. Jiang Yin Juan	Chief financial officer
Mr. Wong Leung Yau	Chairman of supervising committee

Save as disclosed in this prospectus, as at the Latest Practicable Date, each of our Directors (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) did not hold other positions in our Company or other members of our Group; (iii) had no other relationship with any Directors, senior management, Controlling Shareholders or Substantial Shareholders of our Company; (iv) did not have any interest in any business which competes or may compete, directly or indirectly, with our Group; and (v) did not have any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and the Stock Exchange and there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Chan Siu Yin (陳小燕女士), aged 29, is the assistant to our chief executive officer and joint company secretary. Ms. Chan is responsible for overall planning and overseeing the daily administration of our Group. She joined our Group as an assistant to the general manager and the manager of human resources department of Jiangsu Tailam in September 2013. Since March 2016, she has been serving as the secretary to the board of directors of Jiangsu Tailam where she was mainly responsible for coordinating the daily operation of various departments and the company's external communications.

Ms. Chan received a degree of Bachelor of Arts in Chinese Language and Literature from Chinese University of Hong Kong in November 2013. She holds the certificate of qualified board of directors' secretary issued by NEEQ in March 2018.

Ms. Chan is the spouse of Mr. Wong Chiu Wai. She is the daughter-in-law of Mr. Wong Leung Yau and sister-in-law of Ms. Wong Han Yu Alice.

Ms. Chan confirms that she did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas.

JOINT COMPANY SECRETARIES

Ms. Chan Siu Yin (陳小燕女士) was appointed as a joint company secretary on 14 March 2019. For further details of the qualification and experience of Ms. Chan, please refer to paragraph headed "Senior Management" in this section.

Ms. Wong Sau Ping (黃秀萍女士) was appointed as our joint company secretary with effect from 14 March 2019. Ms. Wong is currently an associate director of the Listing Services Department of TMF Hong Kong Limited, which is a global corporate services provider. Ms. Wong has over 18 years of experience in the company secretarial field. She obtained a bachelor's degree in Business Administration and a master of arts degree majoring in Professional Accounting and Information Systems. She was admitted a fellow member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom in November 2019.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have established an Audit Committee, a Remuneration Committee and a Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities. The committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We established our Audit Committee with effect from the Listing, in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our Audit Committee are to review and supervise our financial reporting process and internal control system and to provide advice and comments to our Board.

Our Audit Committee consists of three members, namely Mr. Lai Chun Yu, Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella. All of them are Independent Non-executive Directors. Mr. Lai Chun Yu serves as the chairperson of our Audit Committee.

Remuneration Committee

We established our Remuneration Committee with effect from the Listing, in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

Our Remuneration Committee consists of three members, namely Ms. Wong Han Yu Alice, Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella. Ms. Wong Siu Yin Rosella is the chairperson of our Remuneration Committee.

Nomination Committee

We established our Nomination Committee with effect from the Listing, with the written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our Nomination Committee are to make recommendations to our Board on the appointment of members of our Board.

Our Nomination Committee consists of three members, namely Ms. Wong Han Yu Alice, Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella. Ms. Wong Han Yu Alice is the chairperson of our Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of salaries, benefits in kind and/or discretionary bonuses. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among others, the respective duties and responsibilities of our Directors and senior management and the performance of our Group.

For FY2016, FY2017, FY2018 and 6M2019, the aggregate remuneration, including salaries, benefits in kind and discretionary bonuses paid by our Group to our Directors was approximately RMB439,000, RMB799,000, RMB988,000 and RMB481,000, respectively.

For FY2016, FY2017, FY2018 and 6M2019, the aggregate remuneration, including salaries, benefits in kind and discretionary bonuses paid by our Group to the five highest paid individuals of our Group was approximately RMB696,000, RMB1,692,000, RMB1,920,000 and RMB914,000, respectively.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries and other benefits, performance related bonus, and retirement benefit scheme contribution) payable to our Directors including our Independent Non-executive Directors for the year ending 31 December 2019 will be approximately RMB1,209,000.

During the Track Record Period, no remuneration was paid by our Group to any Director or any of the five highest paid individuals as (i) an inducement to join or upon joining our Group; or (ii) as a compensation for loss of office. None of our Directors waived or agreed to waive any remuneration during the Track Record Period.

Save as disclosed in this prospectus, no other payments had been paid or are payable in respect of FY2016, FY2017, FY2018 and 6M2019 to our Directors or the five highest paid individuals of our Group.

DIVERSITY

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the operating results and quality of our Board's performance (the "**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on our Board. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, finance, investment, legal, auditing and accounting. They obtained degrees in various majors including business administration, science, accounting and law. Furthermore, our Board has a wide range of age,

DIRECTORS AND SENIOR MANAGEMENT

ranging from 34 years old to 69 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels our Company, including but without limitation at our Board and the management levels. Our Board recognises the challenges in achieving a right balance of gender diversity in our Company and the appointment on our Board must always be based on merit, with regards to the skill sets, background and experience and whether the appointment of the proposed candidate to our Board will further strengthen our Board holistically. We are committed to maintain at least two female Directors on our Board, which our Board believe that it provides a right balance of gender diversity, and endeavours, going forward, to increase the representation of women on our Board as set out in our Board Diversity Policy. Upon Listing, three out of seven of our Directors and both of our joint company secretaries are female. We will use our best endeavours, subject to the meritocracy as mentioned above, to retain such board composition or to achieve a target of 30% female representation in our Board, during the period of which we are listed on the Stock Exchange. After Listing, to develop a pipeline of potential successors to our Board, we will take necessary steps to identify and maintain a list of women candidates with a diverse range of skills, experience and knowledge in different fields by emphasising on training and providing career opportunities for our senior female employees who have long and relevant experience with our business, so as to equip them with the capability to lead the organisation. The list of female candidates will be reviewed by our Nomination Committee on a half-yearly basis.

We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing, our Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity on an annual basis.

COMPLIANCE ADVISER

We have appointed South China Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connection transaction, is contemplated including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of the appointment of the compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

The compliance adviser of our Company shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. Upon Listing, we expect to comply with the code provisions set out in the Corporate Governance Code. Any deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period.

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairperson and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group's operations, and Ms. Wong Han Yu Alice's in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of our Board and relevant Board committees, and that there are three Independent Non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Ms. Wong Han Yu Alice taking up both roles. As such, the roles of the chairperson and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalisation Issue and the Share Offer:

As at the date of this prospectus

HK\$

Authorised share capital:

38,000,000	Shares	of HK\$0.01 each	380,000
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Issued share capital:

21,400,000	Shares	of HK\$0.01 each	214,000
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Immediately after the completion of the Capitalisation Issue and the Share Offer

Authorised share capital:

1,000,000,000	Shares	of HK\$0.01 each	10,000,000
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Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalisation Issue and the Share Offer:

21,400,000	Shares	of HK\$0.01 each in issue as at the date of this prospectus	214,000
299,600,000	Shares	to be issued pursuant to the Capitalisation Issue	2,996,000
79,000,000	Shares	to be issued pursuant to the Share Offer	790,000
400,000,000	Total		4,000,000

Assumptions

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

SHARE CAPITAL

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, paid or made on our Shares after the date of this prospectus except for the entitlement under the Capitalisation Issue.

Minimum public float

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held in the hands of the public.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 5 November 2019. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information” in Appendix IV to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to issue, allot and deal with unissued Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased by our Company under the authority referred to in “— General mandate given to our Directors to repurchase Shares” in this section.

Our Directors may, in addition to our Shares which they are authorised to allot and issue under this mandate, allot, issue and deal with Shares under a rights issue, script dividend scheme or similar arrangement in accordance with our Articles.

This general mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or our Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

SHARE CAPITAL

Particulars of this general mandate are set forth under “Statutory and General Information” in Appendix IV to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme).

This repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Statutory and General Information” in Appendix IV to this prospectus.

This repurchase mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- upon the expiration of the period within which our Company is required by any applicable laws or our Articles to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth in “Statutory and General Information” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company.

The circumstances under which general meeting and class meeting are required are provided in the Articles. For further details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which will be required 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, 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 other member of our Group:

Aggregate long positions in our Company

Name of Shareholder	Capacity	Immediately prior to completion of the Capitalisation Issue and the Share Offer		Immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 2)	
		<i>Number of Shares</i>	<i>Percentage of shareholding</i>	<i>Number of Shares</i>	<i>Percentage of shareholding</i>
Apax Investment	Beneficial owner ^(Note 1)	15,960,000	74.58%	239,400,000	59.85%
Ms. Wong Han Yu Alice	Interest in a controlled corporation ^(Note 1)	15,960,000	74.58%	239,400,000	59.85%
Mr. Ma Wai Kwok	Interest of spouse ^(Note 3)	15,960,000	74.58%	239,400,000	59.85%
Glorycore Investment	Beneficial Owner ^(Note 4)	1,680,000	7.85%	25,200,000	6.30%
Mr. Wang Chao Hong	Interest in a controlled corporation ^(Note 4)	1,680,000	7.85%	25,200,000	6.30%
Ms. Ruan Yuhang* (阮宇航)	Interest of spouse ^(Note 5)	1,680,000	7.85%	25,200,000	6.30%
Blue Coral Resources	Beneficial Owner ^(Note 6)	1,352,000	6.32%	20,280,000	5.07%
Ms. Grace Widjaja	Interest in a controlled corporation ^(Note 6)	1,352,000	6.32%	20,280,000	5.07%
Pre-IPO Investor	Beneficial Owner ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%
Lucky Famous Limited	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity	Immediately prior to completion of the Capitalisation Issue and the Share Offer		Immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 2)	
		<i>Number of Shares</i>	<i>Percentage of shareholding</i>	<i>Number of Shares</i>	<i>Percentage of shareholding</i>
GET Holdings Limited	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%
Mr. Wong Jing Shong	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%

Notes:

1. These Shares are registered in the name of Apax Investment, which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
2. Assuming the Over-allotment Option is not exercised and taking no account of any options which may be granted under the Share Option Scheme.
3. Pursuant to the SFO, Mr. Ma Wai Kwok, the spouse of Ms. Wong Han Yu Alice, is deemed to be interested in all the Shares in which Ms. Wong Han Yu Alice is deemed to be interested in.
4. These Shares are registered in the name of Glorycore Investment, which is wholly-owned by Mr. Wang Chao Hong. Under the SFO, Mr. Wang Chao Hong is deemed to be interested in all the Shares registered in the name of Glorycore Investment.
5. Pursuant to the SFO, Ms. Ruan Yuhang* (阮宇航), the spouse of Mr. Wang Chao Hong, is deemed to be interested in all the Shares in which Mr. Wang Chao Hong is deemed to be interested in.
6. These Shares are registered in the name of Blue Coral Resources, which is wholly-owned by Ms. Grace Widjaja. Under the SFO, Ms. Grace Widjaja is deemed to be interested in all the Shares registered in the name of Blue Coral Resources.
7. These Shares are registered in the name of Perfect Growth Limited (i.e. the Pre-IPO Investor) and the entire interest of the Pre-IPO Investor is held by Lucky Famous Limited, which in turn is wholly owned by GET Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8100). GET Holdings Limited is owned as to approximately 75% by Wong Jing Shong. Under the SFO, Lucky Famous Limited, GET Holdings Limited and Wong Jing Shong are deemed to be interested in all the Shares registered in the name of the Pre-IPO Investor.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or the underlying Shares of our Company which will be required 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, directly or indirectly, be 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 member of our Group.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our Group's audited consolidated financial information and the notes thereto as set out in the Accountant's Report in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Directors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. Our Group's business and financial performance are subject to substantial risks and uncertainties and our future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk Factors" section of this prospectus.

Our financial year begins from 1 January and ends on 31 December. All references to "FY2016", "FY2017" and "FY2018" mean the years ended 31 December 2016, 2017 and 2018, respectively, whereas all references to "6M2018" and "6M2019" mean the six months ended 30 June 2018 and 2019, respectively. Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a PHC pile and commercial concrete manufacturer in Qidong City, Nantong, Jiangsu Province in the PRC. We manufacture and sell a variety of PHC pile and commercial concrete products in the PRC. According to the F&S Report, based on the total production volume of our Group for FY2018, our Group accounted for approximately 1.6% and 7.1% of the commercial concrete and PHC pile industry in Nantong, Jiangsu Province. Based on the total production volume, we ranked sixth in the PHC pile market in Jiangsu Province with a market share of approximately 2.7% and also ranked fourth in the PHC pile market in Nantong with a market share of approximately 7.1%. For further details of our Group's business and operation, please refer to the section headed "Business — Overview" in this prospectus.

As at the Latest Practicable Date, we had one PHC pile and two commercial concrete production lines located in Qidong City, with a total maximum annual permitted production capacity of 1.5 million metres and 400,000 m³, respectively. In order to meet ongoing customer demand and sustain business growth in the future, we plan to expand the production facilities in Qidong City, Nantong, Jiangsu Province. For further details of our future plans, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

We achieved significant growth in revenue, gross profit and net profit during the Track Record Period. Our revenue increased from approximately RMB101.5 million for FY2016 to approximately RMB298.7 million for FY2017 and further increased to approximately RMB454.2 million for FY2018, representing a CAGR of approximately 111.5%. Our revenue also increased from approximately RMB191.9 million for 6M2018 to approximately RMB271.3 million for 6M2019. Our gross profit increased from approximately RMB21.7 million for FY2016 to approximately RMB51.7 million for FY2017 and further increased to approximately RMB79.5 million for FY2018, representing a CAGR of approximately 91.2%. Our gross profit also increased from approximately RMB38.6 million for 6M2018 to approximately RMB45.0 million for 6M2019. Our net profit increased from approximately RMB9.9 million for FY2016 to approximately RMB27.6 million for FY2017 and further increased to approximately RMB34.0 million for FY2018, representing a CAGR of approximately 85.8%. Our net profit decreased from approximately RMB19.8 million for 6M2018 to approximately RMB16.5 million for 6M2019.

FINANCIAL INFORMATION

The table below sets forth our average selling price, sales volume, revenue, gross profit and gross profit margin by product categories during the Track Record Period:

	FY2016				FY2017				FY2018				6M2018				6M2019									
	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit margin	Average selling price ⁽¹⁾	Sales volume	Revenue	Gross profit margin						
PHC pile	104.6	512,820	53,652	5.682	10.6	1,448	1,095,529	158,613	22,813	14.4	193.4	1,194,184	2,309,272	42,187	18.3	195.7	665,034	1,301,138	28,398	21.8	188.4	595,489	112,219	20,831	18.6	
Square pile - sourced from other suppliers	109.1	449	49	(1)	(2.0)	103.6	1,796	186	-	-	165.6	12,277	2,033	95	4.7	-	-	-	-	-	-	160.4	7,211	1,157	48	4.1
Square pile - manufactured by our Group	-	-	-	-	-	-	-	-	-	-	150.7	2,342	353	55	15.6	-	-	-	-	-	-	-	-	-	-	
Subtotal of pile	104.6	513,269	53,701	5.681	10.6	1,447	1,097,325	158,799	22,813	14.4	193.0	1,208,803	2,333,181 ⁽²⁾	42,337	18.1	195.7	665,034	1,301,138	28,398	21.8	188.1	602,700	113,376	20,879	18.4	
Commercial concrete	321.4	148,760	47,815	16,066	33.6	366.2	379,795	139,885	28,882	20.7	430.3	513,246	2,208,772	37,131	16.8	438.6	140,885	61,791	10,174	16.5	440.2	358,729	157,898	24,131	15.3	
Total			<u>101,516</u>	<u>21,747</u>	<u>21.4</u>		<u>298,654</u>	<u>51,695</u>	<u>17.3</u>		<u>454,190</u>	<u>79,468</u>	<u>17.5</u>		<u>191,929</u>	<u>38,572</u>	<u>20.1</u>		<u>271,274</u>	<u>45,010</u>	<u>16.6</u>					

Notes:

- (1) Average selling price is calculated by dividing (i) our revenue derived from sales of these products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.
- (2) A miscellaneous revenue of approximately RMB10,000 is included.

FINANCIAL INFORMATION

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, as described in the section headed “History, Development and Reorganisation” in this prospectus, our Company became the holding company of the subsidiaries now comprising our Group during the Track Record Period by way of share swaps with Tailam Hong Kong. Our Company was incorporated for the purpose of the Reorganisation and has not carried out any business since the date of our incorporation. The consolidated financial information of our Group had been prepared and presented using the carrying values of the assets, liabilities and operating results of our Group for the Track Record Period. Inter-company transactions, balances and unrealised gains/losses on transactions between the companies now comprising our Group are eliminated on consolidation. For the purpose of the Accountant’s Report set out in Appendix I to this prospectus, our Directors have prepared the consolidated financial information of our Group for the Track Record Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the disclosure requirements of the Listing Rules and the Companies Ordinance, Hong Kong Accounting Standards (“HKAS”) and Interpretations.

KEY FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Growth in the construction engineering industry in Jiangsu Province, particularly in infrastructure and real estate projects

We derive most of our revenue from sales in Jiangsu Province. Economic trends in Jiangsu Province have a significant impact on all aspects of our operations, including the demand for and pricing of our products, the availability and costs of raw materials, utilities, labour costs and other operating expenses. Demand for our PHC pile and commercial concrete products is particularly sensitive to the level of construction activities in Jiangsu Province. According to the F&S Report, the total value of newly signed contracts in Jiangsu Province has increased from approximately RMB2.1 billion in 2013 to approximately RMB3.0 billion in 2018, with a CAGR of approximately 7.2%. Due to “Opinions of Jiangsu Provincial People’s Government on Promoting the Reform and Development of Construction Industry” 《江蘇省政府關於促進建築業改革發展的意見》 issued in 2017, the construction industry in Jiangsu Province experienced the industry upgrade. In the future, with the acceleration of urbanisation and the increasing number of large ongoing projects in Jiangsu Province, the total value of newly signed contracts in Jiangsu Province is expected to grow with a CAGR of approximately 7.5% and reach approximately RMB4.3 billion in 2023. We believe the growth of the construction engineering industry in Jiangsu Province will continue to have a direct impact on our results of operations.

The PRC Government from time to time issues new industry policies to adjust the level of investment in infrastructure projects and real estate development through economic and administrative means. These policies could have a significant impact on our business. In 2018, the National Development and Reform Commission issued the Development Plan of Huaihe Eco-economic Belt (淮河生態經濟帶發展規劃), which covers a total area of 243,000 square kilometres in Jiangsu, Shandong, Henan and Hubei Provinces. The plan clearly indicates that the State Council will strengthen national policy support to promote economic transformation and the upgrade of river basins, accelerate the process of urban-rural integration, put forward Huaihe river basin to become the next round of economic development in PRC. The increase in government investment infrastructure projects and real estate projects have increased demand for PHC pile and commercial concrete products, which benefits us and other manufacturers.

FINANCIAL INFORMATION

Production capacity utilisation

Our results of operations depend on our ability to fulfil customer orders, which in turn depends in part on our production capacity utilisation. For FY2016, FY2017, FY2018 and 6M2019, total maximum annual permitted production capacity annually for PHC pile is approximately 1.5 million metres and our utilisation rate amounted to approximately 39.3%, 70.4%, 76.9% and 35.5%, respectively, whereas total maximum annual permitted production capacity annually for commercial concrete is approximately 400,000 m³ and our utilisation rate amounted to approximately 37.3%, 95.0%, 81.4% and 59.5%, respectively. Apart from leveraging on existing production, we also invested in machinery which allows us to recycle wastewater generated from the production so that it can be reused in the production process. Partly due to the increase in our production capacity utilisation, our revenue grew by approximately 194.2% between FY2016 and FY2017 and further by approximately 52.1% in FY2018. Our revenue also increased by approximately 41.3% between 6M2018 and 6M2019. We believe that demand for our products will continue to increase and we intend to further increase our annual production capacity. As a result, we anticipate that we will incur further capital expenditures, which we intend to finance using cash generated from our operations, bank borrowings and the net proceeds of the Share Offer.

Pricing

The prices of our products are primarily affected by the supply of, and demand for, products we sold. During the Track Record Period, the average selling prices of our (i) PHC pile were approximately RMB104.6, RMB144.7, RMB193.4 and RMB188.4 per metre, respectively; (ii) square pile were approximately RMB109.1, RMB103.6, RMB163.2 and RMB160.4 per metre, respectively; and (iii) commercial concrete were approximately RMB321.4, RMB368.2, RMB430.3 and RMB440.2 per m³, respectively. Price for our PHC pile and commercial concrete products generally increased because demand grew as a result of increased building and construction activities and as a result, we were able to pass on a portion of our increased cost of sales to our customers through higher average selling prices.

Our sales department reviews our pricing strategy regularly and makes adjustments of our product prices when appropriate based on various factors, including market demand, our production capacity utilisation, transportation costs borne by our customers, inventory levels, competitors' prices and credit terms.

Product mix

Our results of operations are affected by our product mix. Depending on our customers' demands, we may sell different types of PHC pile, square pile and commercial concrete products with various technical characteristics.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We set forth below the critical accounting policies and estimates, which are accounting policies and estimates that require significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. These critical accounting policies and estimates, together with other significant accounting policies and estimates, are important for understanding the financial condition and result of operations of our Group. For details, please refer to the sections headed “Accountant’s Report — Notes to the Historical Financial Information — 3. Summary of significant accounting policies” and “Accountant’s Report — Notes to the Historical Financial Information — 5. Critical accounting estimates and judgements” in Appendix I to this prospectus.

IMPACT OF ADOPTION OF CERTAIN ACCOUNTING STANDARDS AND AMENDMENTS THERETO

Adoption of HKFRS 9 and HKFRS 15

HKFRS 9, “Financial instruments” and HKFRS 15, “Revenue from contracts with customers” have been adopted by us in the preparation of the historical financial information throughout the Track Record Period.

We have assessed the effects of the adoption of HKFRS 9 and HKFRS 15 on our financial information and identified the following areas that have been affected:

- Adoption of new impairment model. HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortised cost based on expected credit losses. We assessed that the adoption of the new impairment methodology would not result in significant difference on bad debt provision.
- Presentation of contract liabilities in the consolidated balance sheets. HKFRS 15 requires separate presentation of contract liabilities in the consolidated balance sheets. This has resulted in some reclassification in relation to our unsatisfied performance obligations. As at 31 December 2016, 2017 and 2018 and 30 June 2019, contract liabilities of RMB8,525,000, RMB5,756,000, RMB5,953,000 and RMB1,469,000, respectively, should have been presented as “trade and other payables” should HKAS 18 be applied throughout the Track Record Period.

Based on our above assessment, our Directors consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

FINANCIAL INFORMATION

Adoption of HKFRS16

HKFRS 16, “Lease” are mandatorily effective from 1 January 2019. HKFRS 16 replaced HKAS 17, “Leases” and related interpretations. Under HKAS 17, operating lease commitments were disclosed separately in a note to the consolidated financial information and were not recognised in the consolidated balance sheets. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (for the right of use) and a lease liability (for the payment obligation), thus, each lease will be mapped in the consolidated balance sheets.

Following the adoption of HKFRS 16 by our Group from 1 January 2019, leases are recognised in the form of an asset (being the right-of-use assets) together with a lease liability (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of lease expenses. Accordingly, certain financial ratios are also affected. The tables below sets forth below summarised the impacts of the adoption of HKFRS 16 on certain key items of our consolidated financial information.

	Current ratio (times)
	As at 30 June 2019
As if reported under HKAS 17	1.1
Currently reported under HKFRS 16	1.1
Difference	–
	Quick ratio (times)
	As at 30 June 2019
As if reported under HKAS 17	1.0
Currently reported under HKFRS 16	1.0
Difference	–
	Gearing ratio (times)
	As at 30 June 2019
As if reported under HKAS 17	68.3%
Currently reported under HKFRS 16	68.4%
Difference	(0.1%)

FINANCIAL INFORMATION

	Net profit
	Six months ended
	30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	16,590
Currently reported under HKFRS 16	16,513
Difference	77

	Net assets
	As at 30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	74,474
Currently reported under HKFRS 16	74,397
Difference	77

In particular, the abovementioned differences are principally due to the differences in our right-of-use assets, lease liabilities, depreciation of right-of-use assets and lease expenses during the Track Record Period as a result of the adoption of HKFRS 16, and the impact of which are further summarised below:

	Right-of-use assets
	As at 30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	–
Currently reported under HKFRS 16 (<i>Note</i>)	
– Land use rights	12,364
– Transportation equipment	899
– Properties	41
Difference	(13,304)

Note: Such amount would mostly be separately classified under “land use rights” or “property, plant and equipment” as if reported under HKAS 17.

FINANCIAL INFORMATION

	Lease liabilities
	As at 30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	–
Currently reported under HKFRS 16	486
Difference	(486)
Depreciation of right-of-use assets	
	Six months ended 30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	–
Currently reported under HKFRS 16	284
Difference	(284)
Lease expenses	
	Six months ended 30 June 2019
	<i>RMB'000</i>
As if reported under HKAS 17	398
Currently reported under HKFRS 16	244
Difference	154

Based on our above assessment, our Directors consider that the net impact on the financial performance and net assets as a result of the adoption of HKFRS 16 is not significant as compared to that of HKAS 17; however, right-of-use assets and lease liabilities on the consolidated balance sheets have been recognised as a result of the adoption of HKFRS 16 as set out above as compared to that of HKAS 17.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The table below sets forth our results of operations during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	101,516	298,654	454,190	191,929	271,274
Cost of sales	(79,769)	(246,959)	(374,722)	(153,357)	(226,264)
Gross profit	21,747	51,695	79,468	38,572	45,010
Selling and marketing expenses	(976)	(2,350)	(3,401)	(1,094)	(1,404)
Administrative expenses	(5,429)	(10,494)	(26,626)	(9,758)	(19,134)
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	(848)	(2,023)	(398)	(237)	251
Other income	321	440	482	7	171
Other gains/(losses) – net	9	1,969	(437)	25	534
Operating profit	14,824	39,237	49,088	27,515	25,428
Finance costs – net	(1,535)	(1,726)	(1,970)	(1,051)	(1,175)
Profit before income tax	13,289	37,511	47,118	26,464	24,253
Income tax expense	(3,435)	(9,887)	(13,095)	(6,686)	(7,740)
Profit for the year/period	<u>9,854</u>	<u>27,624</u>	<u>34,023</u>	<u>19,778</u>	<u>16,513</u>

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We primarily derive all of our revenue from sales of our PHC pile and commercial concrete products. Our revenue was approximately RMB101.5 million, RMB298.7 million, RMB454.2 million, RMB191.9 million and RMB271.3 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively.

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Revenue by product categories

The table below sets forth the breakdown of our Group's revenue by product categories during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
PHC pile	53,652	158,613	230,922	130,138	112,219
Square pile – sourced from other suppliers	49	186	2,033	–	1,157
Square pile – manufactured by our Group	–	–	353	–	–
Subtotal	53,701	158,799	233,318⁽¹⁾	130,138	113,376
Commercial concrete	47,815	139,855	220,872	61,791	157,898
Total	101,516	298,654	454,190	191,929	271,274

Note:

- (1) A miscellaneous revenue of approximately RMB10,000 is included.

The tables below set forth our average selling price, sales volume and revenue for each category of PHC pile, square pile and commercial concrete products we sold during the Track Record Period:

PHC pile and square pile	FY2016			FY2017			FY2018			6M2018			6M2019		
	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue
	(RMB per metre)	(metres)	(RMB'000)	(RMB per metre)	(metres)	(RMB'000)	(RMB per metre)	(metres)	(RMB'000)	(RMB per metre)	(metres)	(RMB'000)	(RMB per metre)	(metres)	(RMB'000)
	(unaudited)														
Grade 400 PHC pile	67.9	35,692	2,422	88.3	48,800	4,307	114.1	20,581	2,348	111.0	15,065	1,672	110.0	26,975	2,967
Grade 500 PHC pile	97.2	373,525	36,303	129.4	579,844	75,043	164.5	668,826	110,016	157.6	313,175	49,371	160.2	284,432	45,556
Grade 600 PHC pile	144.1	103,603	14,928	169.8	466,885	79,263	234.9	504,720	118,558	234.8	336,794	79,095	224.2	284,082	63,696
Square pile – sourced from other suppliers	109.1	449	49	103.6	1,796	186	165.6	12,277	2,033	–	–	–	160.4	7,211	1,157
Square pile – manufactured by our Group	–	–	–	–	–	–	150.7	2,342	353	–	–	–	–	–	–
Total		513,269	53,701		1,097,325	158,799		1,208,803	233,318⁽²⁾		665,034	130,138		602,700	113,376
Average selling price for PHC pile and square pile products ⁽¹⁾	104.6			144.7			193.0			195.7			188.1		

Notes:

- (1) Average selling price is calculated by dividing (i) our revenue derived from these products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.
- (2) A miscellaneous revenue of approximately RMB10,000 is included.

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	FY2016			FY2017			FY2018			6M2018			6M2019		
	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue	Average selling price ⁽¹⁾	Sales volume	Revenue
Commercial concrete	(RMB per m ³)	(m ³)	(RMB'000)	(RMB per m ³)	(m ³)	(RMB'000)	(RMB per m ³)	(m ³)	(RMB'000)	(RMB per m ³)	(m ³)	(RMB'000)	(RMB per m ³)	(m ³)	(RMB'000)
															(unaudited)
Grade C30 or above commercial concrete	323.3	105,622	34,152	371.3	327,600	121,644	438.2	361,612	158,464	447.1	109,111	48,783	444.2	284,600	126,425
Grade C10-C25 commercial concrete	316.7	43,138	13,663	348.9	52,195	18,211	411.6	151,634	62,408	409.4	31,774	13,008	424.6	74,129	31,473
Total		<u>148,760</u>	<u>47,815</u>		<u>379,795</u>	<u>139,855</u>		<u>513,246</u>	<u>220,872</u>		<u>140,885</u>	<u>61,791</u>		<u>358,729</u>	<u>157,898</u>
Average selling price for commercial concrete products ⁽¹⁾	321.4			368.2			430.3			438.6			440.2		

Note:

- (1) Average selling price is calculated by dividing (i) our revenue derived from these products by (ii) the total sales volume of these products. The average selling price is exclusive of VAT.

Our revenue in any given period is determined by our sales volume and average selling prices of our PHC pile, square pile and commercial concrete products. During the Track Record Period, the sales volumes of our PHC pile, square pile and commercial concrete products experienced significant increases.

During the Track Record Period, our average selling price fluctuated primarily due to changes in the supply of, and demand for, our products and was also affected by the increase of the cost of cement, steel and metallic parts, sand, gravel and other raw materials. During the Track Record Period, the average selling price of our (i) PHC pile were approximately RMB104.6, RMB144.7, RMB193.4 and RMB188.4 per metre, respectively; (ii) square pile were approximately RMB109.1, RMB103.6, RMB163.2 and RMB160.4 per metre, respectively; and (iii) commercial concrete were approximately RMB321.4, RMB368.2, RMB430.3 and RMB440.2 per m³, respectively, for the corresponding periods, respectively. We will continue to evaluate the market demand for our products and may from time to time adjust our product prices and production capacity to meet market demand.

Our Group generally adopted a cost-plus model taking into consideration market demand, our production capacity, production costs, inventory levels, competitors' prices and credit terms in pricing our products. For further details, please refer to the section headed "Business — Sales and Marketing — Pricing policy" in this prospectus. Customer orders are typically made on an order-by-order basis. The general increase in average selling price during the Track Record Period was primarily due to the increase in cost of sales combined with the fact we devoted more resources and manpower to our marketing function.

Our revenue can generally be categorised by our major product categories. For further details of our Group's products, please refer to the section headed "Business — Our products" in this prospectus.

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Cost of sales

The table below sets forth the major components of our cost of sales with each item expressed both in amount of cost of sales and a percentage of cost of sales, respectively during the Track Record Period.

	FY2016		FY2017		FY2018		6M2018		6M2019	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Raw material and consumables used										
Cement	16,591	20.8	54,875	22.2	92,042	24.6	30,738	20.0	52,950	23.4
Gravel	17,333	21.7	57,324	23.2	88,005	23.5	28,958	18.9	54,143	23.9
Spiral ribs, wires, pre-tensioned steel reinforcing bars and end plants (collectively "steel and metallic parts")	23,548	29.5	60,018	24.3	80,834	21.6	33,280	21.7	35,531	15.7
Sand	7,354	9.2	35,120	14.2	45,052	12.0	18,241	11.9	33,172	14.7
Other additives	4,739	6.0	14,982	6.1	23,818	6.3	8,020	5.2	16,201	7.2
Coal	1,478	1.9	3,255	1.4	4,961	1.3	1,168	0.8	4,141	1.8
Subtotal	71,043	89.1	225,574	91.3	334,712	89.3	120,405	78.5	196,138	86.7
Utilities	3,948	4.9	6,954	2.8	11,535	3.1	5,508	3.6	5,478	2.4
Outsourcing labour costs ⁽¹⁾	3,847	4.8	7,605	3.1	10,143	2.7	4,099	2.7	4,923	2.2
Subcontracting costs ⁽²⁾	-	-	-	-	5,641	1.5	-	-	3,951	1.7
Depreciation and amortisation charges	3,705	4.6	3,724	1.5	3,614	1.0	1,797	1.2	1,910	0.8
Changes in inventories of raw materials and finished goods	(6,153)	(7.7)	(2,288)	(0.9)	3,466	0.9	19,280	12.6	10,700	4.7
Business tax and surcharges	400	0.5	1,614	0.7	1,849	0.5	1,032	0.7	1,119	0.5
Maintenance costs	145	0.2	718	0.3	599	0.2	261	0.2	364	0.2
Freight charges	571	0.7	335	0.1	472	0.1	255	0.2	105	0.0
Employee benefit expenses ⁽³⁾	1,949	2.5	2,334	0.9	127	0.0	69	0.0	84	0.0
Others	314	0.4	389	0.2	2,564	0.7	651	0.4	1,492	0.7
Total	79,769	100.0	246,959	100.0	374,722	100.0	153,357	100.0	226,264	100.0

Notes:

- (1) Outsourcing labour costs primarily included expenses incurred for the outsourced workers.
- (2) Subcontracting costs primarily represented expenses incurred for the subcontracting arrangements. For details, please refer to the section headed "Business — Raw materials and suppliers — Subcontracting arrangements" in this prospectus.
- (3) Employee benefit expenses accounted under cost of sales primarily included staff cost of production related personnel.

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The cost of sales amounted to approximately RMB79.8 million, RMB247.0 million, RMB374.7 million, RMB153.4 million and RMB226.3 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. Our cost of sales mainly comprises raw materials and consumables used. Our raw materials and consumables used mainly comprise cement, steel and metallic parts, sand and gravels. Cement, sand and gravels are important raw materials for both our PHC pile and commercial concrete products; whereas steel and metallic parts are major components of our PHC pile. Our cost structure remained relatively stable during the Track Record Period. Our raw materials and consumables used contributed to approximately 89.1%, 91.3%, 89.3%, 78.5% and 86.7% of our total cost of sales for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively.

Cement

Cost of cement amounted to approximately RMB16.6 million, RMB54.9 million, RMB92.0 million, RMB30.7 million and RMB53.0 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing approximately 20.8%, 22.2%, 24.6%, 20.0% and 23.4% of our cost of sales during the Track Record Period. The increase in cost of cement during the Track Record Period was primarily due to the overall increase in purchase price for cement and the increase in production volumes.

Gravel

Cost of gravel amounted to approximately RMB17.3 million, RMB57.3 million, RMB88.0 million, RMB29.0 million and RMB54.1 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing approximately 21.7%, 23.2%, 23.5%, 18.9% and 23.9% of our cost of sales during the Track Record Period.

Steel and metallic parts

Cost of steel and metallic parts amounted to approximately RMB23.5 million, RMB60.0 million, RMB80.8 million, RMB33.3 million and RMB35.5 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing approximately 29.5%, 24.3%, 21.6%, 21.7% and 15.7% of our cost of sales during the Track Record Period. Cost of steel and metallic parts increased by approximately RMB36.5 million, or 154.9% for FY2017 and then further by approximately RMB20.8 million, or 34.7% for FY2018 primarily due to overall increase in purchase price for steel and metallic parts and the increase in production volumes. Despite an overall upward trend for steel and metallic parts during the Track Record Period, the overall increase in cost of steel and metallic parts were slower than the revenue growth of our PHC pile for FY2016, FY2017 and FY2018 primarily due to economies of scale and the stronger bargaining power we enjoyed as we increased our production volume. Our cost of steel and metallic parts increased by approximately RMB2.3 million, or 6.8%, from approximately RMB33.3 million for 6M2018 to approximately RMB35.5 million for 6M2019, which was mainly due to the increase in purchase price for steel and metallic parts, and was partially offset by the fact that in response to the decrease in sales volume of PHC pile by approximately 10.5% for 6M2019, our production volume was downward adjusted by approximately 2.0% for 6M2019.

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Sand

Cost of sand amounted to approximately RMB7.4 million, RMB35.1 million, RMB45.1 million, RMB18.2 million and RMB33.2 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing approximately 9.2%, 14.2%, 12.0%, 11.9% and 14.7% of our cost of sales during the Track Record Period. Cost of sand increased by approximately RMB27.8 million, or 377.6% for FY2017 primarily due to the increase in average purchase price for sand in FY2017 as a result of change in industry landscape of the sand and gravel market in PRC. It then increased by approximately RMB9.9 million, or 28.3%, for FY2018 primarily due to the increase in purchase price for sand and the increase in production volume. Our cost of sand further increased by approximately RMB14.9 million, or 81.9%, from approximately RMB18.2 million for 6M2018 to approximately RMB33.2 million for 6M2019 primarily due to the increase in sales volume of our commercial concrete by approximately 154.6% for 6M2019.

Other additives

Other additives primarily represented various chemical additives and mineral powders used in the course of our production process. Other additives amounted to approximately RMB4.7 million, RMB15.0 million, RMB23.8 million, RMB8.0 million and RMB16.2 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively representing approximately 6.0%, 6.1%, 6.3%, 5.2% and 7.2%, respectively, of our cost of sales during the Track Record Period.

Outsourcing labour costs

Our outsourcing labour costs primarily represented the expenses incurred for the outsourced workers in our operation procured by the employment agent. For further details, please refer to the section headed “Business — Employment agent” in this prospectus. The amount increased gradually during the Track Record Period which was generally in line with the increase in our outsourced workers.

Gross profit and gross profit margin

Gross profit margin represented our gross profit as a percentage of revenue. During the Track Record Period, our gross profit was approximately RMB21.7 million, RMB51.7 million, RMB79.5 million and RMB45.0 million, respectively. Our overall gross profit margin decreased from 21.4% in FY2016 to 17.3% in FY2017 and then remained stable at approximately 17.5% for FY2018. Our gross profit margin decreased from approximately 20.1% in 6M2018 to approximately 16.6% in 6M2019.

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The table below sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period:

Gross profit and gross profit margin by product categories	FY2016		FY2017		FY2018		6M2018		6M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
PHC pile	5,682	10.6	22,813	14.4	42,187	18.3	28,398	21.8	20,831	18.6
Square pile – sourced from other suppliers	(1)	(2.0)	-	-	95	4.7	-	-	48	4.1
Square pile – manufactured by our Group	-	-	-	-	55	15.6	-	-	-	-
Subtotal	5,681	10.6	22,813	14.4	42,337	18.1	28,398	21.8	20,879	18.4
Commercial concrete	16,066	33.6	28,882	20.7	37,131	16.8	10,174	16.5	24,131	15.3
Total	<u>21,747</u>	21.4	<u>51,695</u>	17.3	<u>79,468</u>	17.5	<u>38,572</u>	20.1	<u>45,010</u>	16.6

Our overall gross profit margin decreased for FY2017 mainly due to the decrease of gross profit margin of our commercial concrete products because of an increase in overall cost of sales, in particular the increase in cost of sand and gravels. Our overall gross profit margin then remained relatively stable for FY2018. Our overall gross profit margin decreased for 6M2019 mainly due to an increase in overall cost of sales, in particular the increase in cost of cement, sand and gravel.

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Selling and marketing expenses

The table below sets forth the breakdown of our selling and marketing expenses during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Employee benefit expenses ⁽¹⁾	568	1,940	2,636	800	443
Travelling and entertainment expenses	191	291	557	170	181
Depreciation and amortisation charges	–	–	50	25	25
Freight charges	213	–	2	2	687
Others ⁽²⁾	4	119	156	97	68
Total	976	2,350	3,401	1,094	1,404

Notes:

- (1) Employee benefit expenses accounted under selling and marketing expenses primarily included staff cost of the marketing related personnel.
- (2) Others primarily included expenses incurred for the annual marketing event with our key clients and various miscellaneous expenses.

The sale of our products is conducted by our sales team located at Qidong City, Nantong, Jiangsu Province. Our sales team members are remunerated with basic salaries and commissions based on level of sales. Our selling and marketing expenses comprise mainly employee benefit expenses and travelling and entertainment expenses. Our selling and marketing expenses were approximately RMB1.0 million, RMB2.4 million, RMB3.4 million, RMB1.1 million and RMB1.4 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing approximately 1.0%, 0.8%, 0.7%, 0.6% and 0.5% of our revenue for the corresponding periods.

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Administrative expenses

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

	FY2016		FY2017		FY2018		6M2018		6M2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Raw material and consumables used ⁽¹⁾	-	-	-	-	9,982	37.5	4,552	46.6	5,437	28.4
Employee benefit expenses ⁽²⁾	2,939	54.1	3,609	34.4	5,693	21.4	2,628	26.9	3,300	17.2
Listing expenses	-	-	-	-	5,487	20.6	-	-	6,354	33.2
Travelling and entertainment expenses	417	7.7	1,148	10.9	1,763	6.6	708	7.3	520	2.7
Consulting fee	1,842	33.9	944	9.0	1,273	4.8	501	5.1	1,472	7.7
Depreciation and amortisation charges	443	8.2	551	5.3	704	2.7	387	4.0	639	3.3
Maintenance costs	470	8.7	1,486	14.2	563	2.1	238	2.4	238	1.2
Utilities	347	6.4	212	2.0	220	0.8	109	1.1	318	1.7
Provision for impairment of property, plant and equipment	-	-	771	7.3	-	-	-	-	-	-
Auditors' remuneration – audit services	227	4.2	184	1.8	-	-	-	-	-	-
Reversal of provision for impairment of inventories ⁽³⁾	(3,132)	(57.7)	(29)	(0.3)	(107)	(0.4)	(107)	(1.1)	-	-
Others ⁽⁴⁾	1,876	34.5	1,618	15.4	1,048	3.9	742	7.6	856	4.5
Total	5,429	100.0	10,494	100.0	26,626	100.0	9,758	100.0	19,134	100.0

Notes:

- (1) Raw material and consumables used accounted under administrative expenses primarily included expenses incurred by our Group over various technical improvement projects conducted by designated personnel of our technical department and manufacturing department. The expenses were mainly associated with the material costs incurred for producing sample products using refined formula or workflow that aim to improve our productivity and lower our operation costs. For further details of our Group's research and development, please refer to the section headed "Business — Research and development" in this prospectus.
- (2) Saved for production related and marketing related staff cost which were accounted under cost of sales and selling and marketing expenses respectively, all the other staff cost are accounted for under administrative expenses.
- (3) Reversal of provision for impairment of inventories primarily included reversal of write down of inventories previously recognised.
- (4) Others primarily included (i) subsidy paid by our Group to tenants due to the heavy traffic in our factory before completing the road which bypass the nearby village in FY2018; (ii) compensation for demolition to tenants; (iii) office expenses; and (iv) withholding tax for dividend declared and other miscellaneous expenses.

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Our administrative expenses primarily consisted of raw materials and consumables used, employee benefit expenses and reversal of provision of inventories. Our administrative expenses were approximately RMB5.4 million, RMB10.5 million, RMB26.6 million, RMB9.8 million and RMB19.1 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, representing 5.3%, 3.5%, 5.9%, 5.1% and 7.1% of our revenue for the corresponding periods.

(Impairment losses)/reversal of impairment losses on trade and other receivables, net

Our (impairment losses)/reversal of impairment losses on trade and other receivables, net primarily included impairment losses and the subsequent reversal of impairment losses on trade and other receivables. Our impairment losses were approximately RMB(0.8) million, RMB(2.0) million, RMB(0.4) million and RMB(0.2) million for FY2016, FY2017, FY2018 and 6M2018, respectively. Our reversal of impairment losses on trade and other receivables of approximately RMB0.3 million for 6M2019 was primarily due to (i) our management's enhanced effort in debt collection; and (ii) recovery of previously impaired trade and other receivables due to settlement by customers in 6M2019. For instance, trade receivables due from Customer K and Customer G as at 31 December 2018 with ageing over one month of approximately RMB7.7 million and RMB14.5 million, respectively, had been subsequently settled as at 30 June 2019 and accordingly, approximately RMB0.2 million and RMB0.5 million of trade and other receivables which were previously impaired, have been recovered.

Other income

Our other income mainly represented penalties for overdue payments from customers, representing approximately 0.3%, 0.1%, 0.1%, 0.0% and 0.1% of our total revenue for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively.

Other gains/(losses) – net

The table below sets forth the breakdown of our other gains/(losses) – net during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Government grants ⁽¹⁾	–	1,900	–	–	450
Loss on disposal of property, plant and equipment	–	–	(540)	(25)	–
Others	9	69	103	50	84
Total	9	1,969	(437)	25	534

Note:

- (1) Government grants in FY2017 primarily included the one-off incentive from local government in relation to the listing of Jiangsu Tailam on NEEQ. Government grants in 6M2019 primarily included the one-off incentive from local government in relation to the cessation of our coal steam boiler.

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Income tax expense

The table below sets forth our income tax expense during the Track Record Period:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>6M2018</u>	<u>6M2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current income tax					
– PRC corporate income tax	2,110	10,292	13,273	6,711	7,515
– PRC withholding income tax	–	–	106	–	–
	<u>2,110</u>	<u>10,292</u>	<u>13,379</u>	<u>6,711</u>	<u>7,515</u>
Deferred income tax					
– PRC corporate income tax	1,325	(511)	(178)	(25)	225
– PRC withholding income tax	–	106	(106)	–	–
	<u>1,325</u>	<u>(405)</u>	<u>(284)</u>	<u>(25)</u>	<u>225</u>
Total	<u><u>3,435</u></u>	<u><u>9,887</u></u>	<u><u>13,095</u></u>	<u><u>6,686</u></u>	<u><u>7,740</u></u>

The tax on our Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of our Group entities as follows:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>6M2018</u>	<u>6M2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Profit before income tax	<u>13,289</u>	<u>37,511</u>	<u>47,118</u>	<u>26,464</u>	<u>24,253</u>
Tax calculated at domestic tax rates applicable to profits of the respective group entities	3,325	9,390	12,020	6,621	6,746
Tax effects of:					
– Expenses not deductible for tax purposes	103	366	1,015	58	931
– Tax losses for which no deferred income tax asset was recognised	7	25	60	7	63
	<u>3,435</u>	<u>9,781</u>	<u>13,095</u>	<u>6,686</u>	<u>7,740</u>
PRC withholding income tax on dividends	–	106	–	–	–
Total	<u><u>3,435</u></u>	<u><u>9,887</u></u>	<u><u>13,095</u></u>	<u><u>6,686</u></u>	<u><u>7,740</u></u>

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Our income tax expense primarily consist of provision for PRC current and deferred income tax expenses. We recorded income tax expenses of approximately RMB3.4 million, RMB9.9 million, RMB13.1 million, RMB6.7 million and RMB7.7 million, respectively, for FY2016, FY2017, FY2018, 6M2018 and 6M2019. Our effective income tax rates, calculated by dividing income tax expenses with profit before income tax were approximately 25.8%, 26.4%, 27.8%, 25.3% and 31.9% during the corresponding periods. The effective tax rates remained relatively stable for FY2017 and then increased to approximately 27.8% for FY2018 primarily due to the incurrence of Listing expenses of approximately RMB5.5 million, which was not deductible for tax purpose. The effective tax rates increased to approximately 31.9% for 6M2019 primarily due to the incurrence of Listing expenses of approximately RMB6.4 million, which was non-deductible for tax purpose.

Taxation

Cayman Islands and BVI

Our Company and Tailam Investment Holdings are incorporated in the Cayman Islands and BVI as an exempted company and accordingly is exempt from the Cayman Islands and BVI income tax.

PRC

Our subsidiary in the PRC was subject to enterprise income tax at the rate of 25% during the Track Record Period.

Hong Kong

We did not provide for any Hong Kong profit tax as we had no business operations in Hong Kong during the Track Record Period.

Our Directors confirm that as at the Latest Practicable Date, we had made all required tax filings under the relevant tax laws and regulations in the respective jurisdictions and paid all outstanding tax liabilities and that, to the best of their knowledge, we are not subject to any dispute or potential dispute with tax authorities.

Currency translation differences

Our businesses are principally conducted in RMB and majority of our assets are also denominated in RMB. Majority of our non-RMB assets and liabilities are bank deposits and loans from controlling shareholder and a shareholder of a subsidiary denominated in USD.

Our currency translation differences primarily resulted from the translation of loans from controlling shareholder and loans from a shareholder of a subsidiary at the closing rate at the date of each balance sheet and the translation of part of the Listing expenses borne by Tailam Hong Kong at average exchange rates at each respective year/period. Pursuant to the Loan Waiver Deed, Ms. Wong Han Yu Alice agreed to waive approximately RMB50.2 million of the loans from Controlling Shareholder conditionally upon Listing and the remaining balance will be repaid before the Listing using our internal resources. As a result of the foregoing, our Directors expect there will be no currency translation differences attributable to the translation of the abovementioned loans from controlling shareholder and loans from a shareholder of a subsidiary after Listing. For further details, please refer to the section headed “Relationship with our Controlling Shareholders — Financial independence” in this prospectus.

FINANCIAL INFORMATION

SIGNIFICANT DIFFERENCES IN BUSINESS AND FINANCIAL INFORMATION OF OUR GROUP THREE YEARS PRIOR TO THE TRACK RECORD PERIOD AND THAT OF THE TRACK RECORD PERIOD

Our Directors are of the view that there is no significant difference in respect of our Group's customer and supplier profile prior to the Track Record Period as compared to that of the Track Record Period. Except for 2015 and 2016, with a spike of gross profit margin, the general increase in our gross profit margin was caused by our Group's cost control as our production was only able to reach a size of critical mass threshold to benefit from economies of scale since 2015. Accordingly, our Group's direct labour costs, depreciation and other manufacturing overheads amounted to a smaller portion of our revenue from 2015 onwards. Our cost of sales also become less significant in terms of percentage to its revenue. In 2018, our cost of sales amounted to approximately 82.5% of our Group's total revenue, which represents a decrease of approximately 19.8 percentage points from approximately 102.3% in 2013.

PHC piles

As opposed to commercial concrete, our Group's PHC (or square) piles utilises steel and metallic parts as well as sand, gravel and cement. It is by this particularly nature of PHC (or square) piles which allows our Group to decrease its cost of sales to a much lower proportion to revenue throughout the years. According to the F&S Report, despite steel being the most expensive raw material per unit cost, its unit cost remained stable (CAGR for 2013-2018: 3.6%), while our Group's other raw materials increased at a faster rate (CAGR for 2013-2018: $\geq 5.2\%$).

In 2015, due to the excess production capacity and decreasing demand from the downstream in iron and steel industry, the average price of reinforcing steel also experienced a huge drop from 2014 to 2015. As a result of the foregoing supply side effects, for 2013 to 2015, our gross profit margin for PHC piles improved from approximately -18.3% to approximately 5.0%.

Due to economies of scale and the stronger bargaining power we enjoyed as our Group further increased its production volume after our Group reached a size of critical mass threshold, together with the increase in demand from various construction companies for the development of residential and commercial projects in Qidong City, including property projects from Customer F and Customer I and a shopping mall project from Customer G, our Group was able to charge a relatively high average selling price to customers, which contributed to the increase in gross profit margin to approximately 14.4% and 18.3% for 2017 and 2018, respectively.

Commercial concrete

Except for 2013, 2015 and 2016, from 2013 to 2018, our gross profit margin for commercial concrete remained relatively stable at around 17% to 22%.

As our commercial concrete operations only commenced production to our customers after late second quarter of 2013, our gross profit margin was merely approximately 14.1% in 2013. In 2015 and 2016, our gross profit margin for commercial concrete were exceptionally high at approximately 35.6% and 33.6%, respectively. The sudden spike of gross profit margin for commercial concrete was mainly due to the decrease in average price of sand, gravel and cement in 2015 and 2016 in light of the supply side effects in the PRC. As a result, our average costs of cement, sand and gravel per sales decreased to the lowest point in 2015 and remained relatively low in 2016.

FINANCIAL INFORMATION

Accumulated loss as at 1 January 2016

The amounts of, and the circumstances leading to, the accumulated losses prior to the Track Record period

As at 1 January 2016, we recorded accumulated losses of approximately RMB17.8 million, which was primarily due to combined effect of the following factors:

- we were undergoing a transition period between Jiangsu Tailam's incorporation in 2011 to 2014 in which our management focus at that time had been placed in infrastructure building, production line establishment, process optimisation and network building.
- prior to 2015, owing to the fact that both our PHC pile and commercial concrete operations only commenced production to our customers after late second quarter of 2013, Jiangsu Tailam only generated revenue starting from 2013 while administrative expenses such as employee benefit expenses and utilities were incurred for 2012, we initially recorded net loss for 2012.
- we recorded net loss of approximately RMB11.4 million for 2013 primarily due to the combined effect of (i) the negative gross profit of our PHC piles of approximately RMB1.5 million as our Group's PHC pile operation only commenced production to our customers in late second quarter of 2013 while our Group had to pay for the staff costs and incurred depreciation and amortisation charges for its production lines; and (ii) the administrative expenses incurred of approximately RMB10.4 million mainly due to employee benefit expenses and utilities. As a result, the accumulated losses amounted to approximately RMB13.4 million as at 1 January 2014.
- we recorded net loss of approximately RMB11.0 million for 2014 primarily due to the combined effect of (i) gross profit of approximately RMB6.9 million; (ii) the selling and marketing expenses incurred of approximately RMB8.0 million mainly as a result of freight charges incurred for products transported to our customers at their requests in 2014; and (iii) the administrative expenses incurred of approximately RMB12.4 million mainly due to employee benefit expenses and utilities; provision for impairment of inventories; and road construction costs incurred for road infrastructure outside our production premises. As a result, the accumulated losses amounted to approximately RMB24.4 million as at 1 January 2015.
- during 2015, our revenue grew to approximately RMB98.0 million and achieved an overall net profit position for the first time since our date of incorporation with a net profit of approximately RMB6.6 million. The net profit in 2015 was partially offset by the accumulated losses previously brought forward and the accumulated losses decreased to approximately RMB17.8 million as at 1 January 2016.

FINANCIAL INFORMATION

The financial information for the years ended 31 December 2013, 2014 and 2015 as mentioned above was extracted from the financial statements of our Group for the years ended 31 December 2013, 2014 and 2015 which have been reviewed by our reporting accountant in accordance with the Hong Kong Standard on Review Engagements 2400 “Engagements to Review Historical Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants.

Specific events or activities undertaken by our Group which led to the turnaround of its business/financial performance and outperformed to its peers in China and Jiangsu Province

As a result of the foregoing and due to our cautious management of product mix, sales volume, revenue, pricing, cost structure and profitability in respect of our two major business segments, we recorded a turnaround since the year ended 31 December 2015. After establishing foundation for our business network and gathering experience in operating our production efficiently, our Group had undertaken additional plans in business development and production management, including:

- our third environmental protection commercial concrete mixing plant (for commercial concrete) was put into operation in 2014, which improved our production capacity to satisfy customers’ demand.
- certain minor adjustments in our business arrangements with customers due to better bargaining power as longer business relationships were established with our customers. Since May 2015, we are generally not responsible for the transportation of PHC piles to the relevant sites of our customers, and thus minimal charges were incurred for products transported to our customers at their requests since then.
- since 2014, our Group also began to approach property developers and construction companies to promote our products more actively in order to enhance our Group’s market presence. Accordingly, in 2014, we were able to secure contracts with customers with an aggregate amount over RMB60 million. Our Directors believe that such efforts and our involvement in various buildings projects with local construction companies and property developers had led to an enhancement of our market profile in Qidong City, Nantong, Jiangsu Province, leading to a surge in (i) the numbers of new customers from 2016 onwards; and (ii) the number of relatively large contracts we secured with our customers.

We recorded net profit for 2015, 2016 and 2017 of approximately RMB6.6 million, RMB9.9 million and RMB27.6 million, respectively. Such net profits were able to fully offset all the accumulated losses before the Track Record Period and we recorded retained earnings of approximately RMB14.3 million as at 31 December 2017.

FINANCIAL INFORMATION

Our ability to control cost of sales and operating expenses

Having taken into consideration of the historical percentage fluctuations of cost of sales per unit of revenue calculated by dividing (i) our cost of sales of the relevant year by (ii) our respective revenue, which was approximately 10.7%, 5.2%, (0.2)% and 4.4% during the Track Record Period, respectively, our Directors are of the view that it is reasonable to adopt a percentage change of 3.0%, 5.0% and 10.0% in the sensitivity analysis. The table below sets forth the sensitivity analysis on the impacts of hypothetical changes in the cost of cement, steel and metallic parts, sand and gravels on our profit before income tax expenses under the condition that the additional costs might not be passed on to our customers during the Track Record Period:

Sensitivity analysis

Hypothetical fluctuations	<u>+/-3.0%</u>	<u>+/-5.0%</u>	<u>+/-10.0%</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase/decrease in cost of cement			
FY2016	+/-498	+/-830	+/-1,659
FY2017	+/-1,646	+/-2,744	+/-5,488
FY2018	+/-2,761	+/-4,602	+/-9,204
6M2018	+/-922	+/-1,537	+/-3,074
6M2019	+/-1,589	+/-2,648	+/-5,295
Increase/decrease in cost of steel and metallic parts			
FY2016	+/-706	+/-1,177	+/-2,355
FY2017	+/-1,801	+/-3,001	+/-6,002
FY2018	+/-2,425	+/-4,042	+/-8,083
6M2018	+/-998	+/-1,664	+/-3,328
6M2019	+/-1,066	+/-1,777	+/-3,553
Increase/decrease in cost of sand			
FY2016	+/-221	+/-368	+/-735
FY2017	+/-1,054	+/-1,756	+/-3,512
FY2018	+/-1,352	+/-2,253	+/-4,505
6M2018	+/-547	+/-912	+/-1,824
6M2019	+/-995	+/-1,659	+/-3,317
Increase/decrease in cost of gravel			
FY2016	+/-520	+/-867	+/-1,733
FY2017	+/-1,720	+/-2,866	+/-5,732
FY2018	+/-2,640	+/-4,400	+/-8,801
6M2018	+/-869	+/-1,448	+/-2,896
6M2019	+/-1,624	+/-2,707	+/-5,414

Fluctuation of the abovementioned cost items and our Group's ability to pass on any increase in cost to our customers will affect our Group's gross profit margin and net profit margin.

FINANCIAL INFORMATION

PERIOD-ON-PERIOD COMPARISON OF RESULTS OF OPERATION

6M2019 compared to 6M2018

Revenue

Our revenue increased by approximately RMB79.3 million, or 41.3%, from approximately RMB191.9 million for 6M2018 to approximately RMB271.3 million for 6M2019. This increase was primarily due to the increase in both the sales volume and average selling price of our commercial concrete as a result of the increased market demand. The increases were primarily driven by the growth in the construction industry in Jiangsu Province and the increased demand from our customers for the development of residential and commercial projects in Qidong City. The increase was partially offset by the decreases in both the sales volume and average selling price of our PHC pile products as a result of the decreases in orders from certain key customers as foundation work of their projects were substantially completed in FY2018.

- ***PHC pile.*** Our revenue from sales of PHC pile decreased from approximately RMB130.1 million in 6M2018 to approximately RMB112.2 million in 6M2019. The decrease in revenue from sales of PHC pile for 6M2019 of approximately RMB17.9 million, or 13.8%, was primarily due to the decrease in sales volume of our PHC pile.

We sold approximately 0.7 million metres and 0.6 million metres of PHC pile for 6M2018 and 6M2019, respectively. The decrease in sales volume was primarily due to the decrease in orders for 6M2019 from Customer G (one of our five largest customers in FY2017 and FY2018) and Customer L (one of our five largest customers in FY2018) of approximately 179,000 metres in aggregate as the foundation work of the shopping mall project of Customer G and the residential and commercial project of Customer L were substantially completed within FY2018. The decrease was partially offset by the additional orders from Customer E and Customer H with an aggregate amount of approximately 119,000 metres for the development of residential and commercial projects in Qidong City.

- ***Square pile.*** Our revenue from sales of square pile increased from nil in 6M2018 to approximately RMB1.2 million in 6M2019 primarily due to the increase in sales volume of our square pile. We sold nil and approximately 7,000 metres of square pile for 6M2018 and 6M2019, respectively. The increase in sales volume was primarily due to increase in sales volume of our square pile as a result of new orders from our recurring square pile customers, Customer R and Customer S, of approximately 6,000 metres in 6M2019.

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- **Commercial concrete.** Our revenue from sales of commercial concrete increased from approximately RMB61.8 million in 6M2018 to approximately RMB157.9 million in 6M2019. The increase in revenue from sales of commercial concrete for 6M2019 of approximately RMB96.1 million, or 155.5%, was primarily due to the increase in sales volume of our commercial concrete.

We sold approximately 141,000 m³ and 359,000 m³ of commercial concrete for 6M2018 and 6M2019, respectively. The increase in sales volume was primarily due to (i) the increase in sale volume of approximately 40,000 m³ grade C10-C25 commercial concrete and approximately 81,000 m³ grade C30 or above commercial concrete from Customer K as a result of new orders in 6M2019; and (ii) the increase in sales volume of grade C30 or above commercial concrete a result of new orders in 6M2019 from Customer P of approximately 42,000 m³.

Cost of sales

Our cost of sales increased by approximately RMB72.9 million, or 47.5%, from approximately RMB153.4 million for 6M2018 to approximately RMB226.3 million for 6M2019 primarily due to the combined effect of the increase in sales volume of our PHC pile, square pile and commercial concrete products. The increase was generally in line with the growth of revenue for 6M2019.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB6.4 million, or 16.7%, from approximately RMB38.6 million for 6M2018 to approximately RMB45.0 million for 6M2019. Our gross profit margin decreased from approximately 20.1% for 6M2018 to approximately 16.6% for 6M2019. The decrease in gross profit margin was primarily due to the combined effect of the decrease in gross profit margin of PHC pile products and commercial concrete products.

- **PHC piles.** Gross profit margin of PHC pile decreased from approximately 21.8% for 6M2018 to approximately 18.4% for 6M2019. The decrease in gross profit margin of PHC pile was primarily due to the decrease in both sales volume and proportion of our grade 600 PHC piles sold, a category of PHC pile with relatively high average selling price, while cost of sales continued to increase as a result of the increasing trend of raw material costs.
- **Square pile.** Gross profit margin of square pile increased from nil for 6M2018 to approximately 4.1% for 6M2019. We were able to process orders for square piles from the securing of square pile customers for 6M2019 due to cross selling of square pile as bundles with our existing product portfolio with markup, while no such orders were made for 6M2018.

FINANCIAL INFORMATION

- **Commercial concrete.** Gross profit margin of commercial concrete decreased from approximately 16.5% for 6M2018 to approximately 15.3% for 6M2019. The decrease in gross profit margin of commercial concrete was primarily due to the fact that commercial concrete sold to Customer K increased from nil for 6M2018 to approximately 33.7% of the total sale volume of commercial concrete for 6M2019. Such change in sales mix translate into lower gross profit margin as commercial concrete sold to Customer K had a relatively lower gross profit margin as compared with other customers.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.3 million, or 28.3%, from approximately RMB1.0 million for 6M2018 to approximately RMB1.4 million for FY2019, primarily due to the increase in freight charges from approximately RMB2,000 for 6M2018 to approximately RMB0.6 million as certain PHC pile concrete customers request us to enter into contract with the transportation company, so that they do not need to enter into multiple contracts with different parties. Under this arrangement, our contract price will include the transportation fee and we will pay the third party transportation company for their services. The increase was partially offset by the decrease in employee benefit expenses in 6M2019 as a result of the reversal of over provision for social insurance in FY2016 and FY2017.

Administrative expenses

Our administrative expenses increased by approximately RMB9.4 million, or 96.1%, from approximately RMB9.8 million for 6M2018 to approximately RMB19.1 million for 6M2019, primarily due to the incurrence of Listing expenses of approximately RMB6.4 million.

(Impairment losses)/reversal of impairment losses on trade and other receivables, net

We recorded impairment losses on trade and other receivables, net of approximately RMB0.2 million for 6M2018 and recorded reversal of impairment losses on trade and other receivables of approximately RMB0.3 million for 6M2019. The reversal of impairment losses on trade and other receivables was primarily due to (i) the management's enhanced effort in debt collection; and (ii) recovery of previously impaired trade and other receivables due to settlement by customers in 6M2019. For instance, trade receivables due from Customer K and Customer G as at 31 December 2018 with ageing over one month of approximately RMB7.7 million and RMB14.5 million, respectively, had been subsequently settled as at 30 June 2019 and accordingly, approximately RMB0.2 million and RMB0.5 million of trade and other receivables which were previously impaired, have been recovered.

Other income and other gains/(losses) – net

Other income and other gains/(losses) – net increased by approximately RMB0.7 million, or 2103.1%, from approximately RMB32,000 for 6M2018 to approximately RMB0.7 million for 6M2019 primarily due to the one-off incentive from local government in 6M2019 in relation to the cessation of our coal steam boiler.

FINANCIAL INFORMATION

Finance costs – net

Finance costs increased by approximately RMB0.1 million, or 11.8%, from approximately RMB1.1 million for 6M2018 to approximately RMB1.2 million for 6M2019 primarily due to the increase in bank borrowings drawn in 6M2019.

Income tax expense

Our income tax expense increased by approximately RMB1.1 million, or 15.8%, from approximately RMB6.7 million for 6M2018 to approximately RMB7.7 million for 6M2019 primarily due to the increase in Listing expenses incurred from nil for 6M2018 to approximately RMB6.4 million for 6M2019, which was not deductible for tax purpose. For further details, please refer to the paragraph headed “Selected items of consolidated statements of comprehensive income — Income tax expense” in this section.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately RMB3.3 million, or approximately 16.5%, from approximately RMB19.8 million for 6M2018 to approximately RMB16.5 million for 6M2019.

FY2018 compared to FY2017

Revenue

Our revenue increased by approximately RMB155.5 million, or 52.1%, from approximately RMB298.7 million for FY2017 to approximately RMB454.2 million for FY2018. This increase was primarily due to the combined effect of the increase in both the sales volume and average selling price of all our PHC pile and commercial concrete products as a result of the increased market demand. The increases were primarily driven by the growth in the construction industry in Jiangsu Province and the increased demand from our customers for the development of residential and commercial projects in Qidong City.

- **PHC pile.** Our revenue from sales of PHC pile increased from approximately RMB158.6 million in FY2017 and to approximately RMB230.9 million in FY2018. The increase in revenue from sales of PHC pile for FY2018 of approximately RMB72.3 million, or 45.6% was primarily due to the increase in sales volume of our PHC pile.

We sold approximately 1.1 million metres and 1.2 million metres of PHC pile for FY2017 and FY2018, respectively. The increase in sales volume was primarily due to the increase in sales volume of grade 500 PHC pile as a result of the new orders from Customer N (one of our ten largest customers in FY2018) of approximately 61,000 metres combined with the increase sales volume of grade 600 PHC pile as a result of the additional orders in FY2018 from Customer G (one of our five largest customers in FY2017 and FY2018) of approximately 36,000 metres. The increase was partially offset by the decrease in sales volume of grade 400 PHC pile as we tend to focus on the production of grade 500 PHC pile and grade 600 PHC pile which are of relatively higher strength as compared to grade 400 PHC pile.

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- **Square pile.** Our revenue from sales of square pile increased from approximately RMB0.2 million in FY2017 to approximately RMB2.4 million in FY2018. The increase in revenue from sales of square pile for FY2018 of approximately RMB2.2 million, or 1,182.8%, was primarily due to the increase in sales volume of our square pile.

We sold approximately 2,000 metres and 15,000 metres of square pile for FY2017 and FY2018, respectively. The increase in sales volume was primarily due to increase in sales volume of our square pile as a result of new orders from Customer R of approximately 11,000 metres in FY2018.

- **Commercial concrete.** Our revenue from sales of commercial concrete increased from approximately RMB139.9 million in FY2017 to approximately RMB220.9 million in FY2018. The increase in revenue from sales of commercial concrete for FY2018 of approximately RMB81.0 million, or 57.9% was primarily due to the increase in sales volume of our commercial concrete.

We sold approximately 0.4 million m³ and 0.5 million m³ of commercial concrete for FY2017 and FY2018, respectively. The increase in sales volume was primarily due to the increase in sales volume of grade C10-C25 commercial concrete as a result of the new orders in FY2018 from Customer K (one of our five largest customers in FY2018) of approximately 63,000 m³.

Cost of sales

Our cost of sales increased by approximately RMB127.8 million, or 51.7%, from approximately RMB247.0 million for FY2017 to approximately RMB374.7 million for FY2018 primarily due to the combined effect of the increase in sales volume of both our PHC pile and commercial concrete products. The increase was generally in line with the growth of revenue for FY2018.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB27.8 million, or 53.7%, from approximately RMB51.7 million for FY2017 to approximately RMB79.5 million for FY2018. Our gross profit margin remained relatively stable at approximately 17.3% and 17.5% for FY2017 and FY2018.

- **PHC piles.** Gross profit margin of PHC pile increased from approximately 14.4% for FY2017 to approximately 18.1% for FY2018. The increase in gross profit margin of PHC pile was primarily due to the increase in average selling price of the product increased at a faster rate than the cost of sales as a result of our pricing strategy. The strong pricing power we enjoyed was primarily due to the highly concentrated market landscape for PHC pile in Nantong. According to the F&S Report, the PHC pile industry in Nantong was very concentrated with only four PHC pile manufacturers and our Group had a market share of approximately 7.1% in Nantong in terms of PHC pile production volume in 2018.

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- **Square pile.** Gross profit margin of square pile increased from nil for FY2017 to approximately 6.3% for FY2018. The increase in gross profit margin of square pile was primarily due to the increase average selling price of the product, which increased at a faster rate than the cost of sales as a result of our pricing strategy. The stronger pricing power we enjoyed was primarily due to the fact that our customer pool and demand for our square pile continues to grow. Our Group therefore started to cross sell square pile as bundles with our existing product portfolio with markup.
- **Commercial concrete.** Gross profit margin of commercial concrete decreased from approximately 20.7% for FY2017 to approximately 16.8% for FY2018. The decrease in gross profit margin of commercial concrete during the Track Record Period was primarily due to the fact that average selling price of the product increased at a slower rate than the cost of sales, in particular, average cost of cement, sand and gravel. In contrast with the PHC pile market, market of commercial concrete in Nantong is highly competitive according to the F&S Report. The commercial concrete industry in Nantong was very fragmented with more than 80 commercial concrete manufacturers and we only had a market share of 1.6% in Nantong in terms of commercial concrete production volume in 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB1.1 million, or 44.7%, from approximately RMB2.4 million for FY2017 to approximately RMB3.4 million for FY2018, primarily due to the increase in employee benefit expenses mainly as a result of more commission were given to the marketing related personnel which was generally in line with the increase in revenue for FY2018 and the related increase in expenses incurred for social insurance of the marketing related personnel.

Administrative expenses

Our administrative expenses increased by approximately RMB16.1 million, or 153.7%, from approximately RMB10.5 million for FY2017 to approximately RMB26.6 million for FY2018, primarily due to the combined effect of the increase in raw material and consumables used mainly for various technical improvement projects. Also, the increase in employee benefit expenses mainly due to the same reason (i.e. staff cost newly incurred for various technical improvement projects).

(Impairment losses)/reversal of impairment losses on trade and other receivables, net

Our (impairment losses)/reversal of impairment losses on trade and other receivables, net decreased by approximately RMB1.6 million, or 80.3% from approximately RMB(2.0) million for FY2017 to approximately RMB(0.4) million for FY2018 primarily due to the fact that provision for impairment for FY2017 was sufficient to cover majority of the provision required for FY2018 under the expected credit losses prescribed by HKFRS 9 leading to a relatively smaller balance for FY2018.

FINANCIAL INFORMATION

Other income and other gains/(losses) – net

Other income and other gains/(losses) – net decreased by approximately RMB2.4 million, or 98.1%, from approximately RMB2.4 million for FY2017 to approximately RMB45,000 for FY2018 primarily due to the decrease in government grants in FY2018 as those in FY2017 were mainly one-off incentive.

Finance costs – net

Finance costs increased by approximately RMB0.2 million, or 14.1%, from approximately RMB1.7 million for FY2017 to approximately RMB2.0 million for FY2018 primarily due to the increase in bank borrowings drawn in FY2018.

Income tax expense

Our income tax expense increased by approximately RMB3.2 million, or 32.4%, from approximately RMB9.9 million for FY2017 to approximately RMB13.1 million for FY2018 primarily due to the increase in our profit before income tax from approximately RMB37.5 million for FY2017 to approximately RMB47.1 million for FY2018. For further details, please refer to the paragraph headed “Selected items of consolidated statements of comprehensive income — Income tax expense” in this section.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB6.4 million, or approximately 23.2%, from approximately RMB27.6 million for FY2017 to approximately RMB34.0 million for FY2018.

FY2017 compared to FY2016

Revenue

Our revenue increased by approximately RMB197.1 million, or 194.2%, from approximately RMB101.5 million for FY2016 to approximately RMB298.7 million for FY2017. This increase was primarily due to the increase in both the sales volume and average selling price for all our PHC pile and commercial concrete products as a result of the increased market demand.

- **PHC pile.** Our revenue from sales of PHC pile increased from approximately RMB53.7 million in FY2016 to approximately RMB158.8 million in FY2017. The increase in revenue from sales of PHC pile for FY2017 of approximately RMB105.1 million, or 195.7% was primarily due to the increase in sales volume of our PHC pile.

The increase in sales volume was primarily due to the increase in sales volume of grade 500 PHC pile and grade 600 PHC pile as a result of the increased demand from various construction companies for the development of residential and commercial projects in Qidong City.

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- **Square pile.** Our revenue from sales of square pile increased from approximately RMB49,000 in FY2016 to approximately RMB0.2 million in FY2017. The increase in revenue from sales of square pile for FY2017 of approximately RMB0.1 million, or 279.6%, was primarily due to the increase in sales volume of our square pile.

The increase in sales volume was primarily due to the increase in sales volume of our square pile as a result of new orders from Customer S of approximately 2,000 metres.

- **Commercial concrete.** Our revenue from sales of commercial concrete increased from approximately RMB47.8 million in FY2016 to approximately RMB139.9 million in FY2017. The increase in revenue from sales of commercial concrete for FY2017 of approximately RMB92.0 million, or 192.5% was primarily due to the increase in sales volume of our commercial concrete.

The increase in sales volume was primarily due to the increase in sales volume of grade C30 or above commercial concrete as a result of the new orders in FY2017 from Customer F, Customer H and Customer J of approximately 164,000 m³ in aggregate. Customer F, Customer H and Customer J were our five largest customers in FY2017.

Cost of sales

Our cost of sales increased by approximately RMB167.2 million, or 209.6%, from approximately RMB79.8 million for FY2016 to approximately RMB247.0 million for FY2017 primarily due to the combined effect of the increase in sales volume of both our PHC pile and commercial concrete products and the increase in cost of raw materials. In particular, cost of cement, gravel and steel and metallic parts increased by approximately RMB114.7 million, or 199.5% from approximately RMB57.5 million for FY2016 to approximately RMB172.2 million for FY2017.

The fluctuation of our cost of sales were largely dependent on (i) the volume of products sold, (ii) inflation; and (iii) change in business environment. During FY2016, the CPC Central Committee and the State Council carried out two rounds of central environmental protection supervision and local governments had been shutting down illegal quarries and sand quarries. As a result, considerable amounts of unconventional or illegal enterprises had stopped production or were cleared, sand and gravel markets in some areas even fell into a situation of shortage of supply. As such, during the Track Record Period, manufacturers in the PRC generally have been limiting production capacities in order to meet energy saving and environmental protection requirements in the PRC, which caused a rise in market price of raw materials.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB29.9 million, or approximately 137.7%, from approximately RMB21.7 million for FY2016 to approximately RMB51.7 million for FY2017. Our gross profit margin decreased from approximately 21.4% for FY2016 to approximately 17.3% for FY2017. The decrease in gross profit margin was primarily due to the combined effect of the decrease in gross profit margin of commercial concrete products which was partially offset by the increase in gross profit margin of PHC pile products.

- ***PHC piles.*** Gross profit margin of PHC pile increased from approximately 10.6% for FY2016 to approximately 14.4% for FY2017. The increase in gross profit margin of PHC pile was primarily due to the increase in average selling price of the product increased at a faster rate than the cost of sales as a result of our pricing strategy. The strong pricing power we enjoyed was primarily due to the highly concentrated market landscape for PHC pile in Nantong. According to the F&S Report, the PHC pile industry in Nantong was very concentrated with only four PHC pile manufacturers and our Group had a market share of approximately 7.1% in Nantong in terms of PHC pile production volume in 2018.
- ***Square pile.*** Gross profit margin of square pile increased from (2.0)% for FY2016 to nil for FY2017. The slightly negative and nil gross profit margin for the corresponding periods was primarily due to the fact that square pile segment is relatively new to our Group and only contributed a small portion of our total revenue and gross profit. Our Group therefore crossed sell square pile as bundles with our existing product portfolio without markup to build our customer pool.
- ***Commercial concrete.*** Gross profit margin of commercial concrete decreased from approximately 33.6% for FY2016 to approximately 20.7% for FY2017. The decrease in gross profit margin of commercial concrete during the Track Record Period was primarily due to the fact that average selling price of the product increased at a slower rate than the cost of sales, in particular, average cost of cement, sand and gravel. In contrast with the PHC pile market, market of commercial concrete in Nantong is highly competitive according to the F&S Report. The commercial concrete industry in Nantong was very fragmented with more than 80 commercial concrete manufacturers and we only had a market share of 1.6% in Nantong in terms of commercial concrete production volume in 2018.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB1.4 million, or 140.8%, from approximately RMB1.0 million for FY2016 to approximately RMB2.4 million for FY2017, primarily due to the increase in employee benefit expenses mainly as a result of more commission were given to the marketing related personnel which was generally in line with the increase in revenue for FY2017 and the related increase in expenses incurred for social insurance of the marketing related staff.

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Administrative expenses

Our administrative expenses increased by approximately RMB5.1 million, or 93.3%, from approximately RMB5.4 million for FY2016 to approximately RMB10.5 million for FY2017, primarily due to the combined effect of the increase in employee benefit expenses mainly as a result of the increase in discretionary bonus for our staff for FY2017 (excluding production related and marketing related staff which were accounted under cost of sales and selling and marketing expenses respectively); decrease in reversal of provision for impairment of inventories for FY2017 as we recognised an one-off reversal of provision for impairment of inventories of approximately RMB3.1 million for FY2016 when we sold the previously impaired inventories and increase in maintenance cost of approximately RMB1.0 million.

(Impairment losses)/reversal of impairment losses on trade and other receivables, net

Our (impairment losses)/reversal of impairment losses on trade and other receivables, net increased by approximately RMB1.2 million, or 138.6%, from approximately RMB(0.8) million for FY2016 to approximately RMB(2.0) million for FY2017. The increase was generally in line with the increase in trade and other receivables for FY2017 as it contributed to approximately 2.1% and 2.4% of our total trade and other receivables for FY2016 and FY2017 respectively.

Other income and other gains/(losses) – net

Other income and other gains/(losses) – net increased by approximately RMB2.1 million, or 630.0%, from approximately RMB0.3 million for FY2016 to approximately RMB2.4 million for FY2017 primarily due to the one-off incentive from local government in FY2017 in relation to the listing of Jiangsu Tailam on NEEQ.

Finance costs – net

Finance costs increased by approximately RMB0.2 million, or 12.4%, from approximately RMB1.5 million for FY2016 to approximately RMB1.7 million for FY2017 primarily due to the fact that part of the bank borrowings in FY2016 has been carried forward to FY2017 which lead to a larger bank borrowings balance throughout FY2017 compared to FY2016.

Income tax expense

Our income tax expense increased by approximately RMB6.5 million, or 187.8% from approximately RMB3.4 million for FY2016 to approximately RMB9.9 million for FY2017 primarily as a result of an increase in our profit before income tax from approximately RMB13.3 million for FY2016 to approximately RMB37.5 million for FY2017. For further details, please refer to the paragraph headed “Selected items of consolidated statements of comprehensive income — Income tax expense” in this section.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB17.8 million, or approximately 180.3%, from approximately RMB9.9 million for FY2016 to approximately RMB27.6 million for FY2017.

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LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. Upon Listing, our sources of funds will be a combination of internally generated funds, bank borrowings and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank borrowings and finance leases obligation when they fall due.

Cash flow

The table below sets forth a summary of the consolidated statements of cash flows for the Track Record Period.

	FY2016	FY2017	FY2018	6M2018	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash generated from operating activities	13,830	1,459	20,112	5,744	18,863
Net cash used in investing activities	(1,482)	(1,907)	(7,570)	(522)	(7,642)
Net cash (used in)/generated from financing activities	(5,740)	7,563	6,972	10,715	(2,040)
Net increase in cash and cash equivalents	6,574	7,115	19,514	15,937	9,181
Cash and cash equivalents at beginning of the year/period	383	6,954	14,078	14,078	33,566
Effect of exchange rate changes on cash and cash equivalents	(3)	9	(26)	(1)	(12)
Cash and cash equivalents at end of the year/period	6,954	14,078	33,566	30,014	42,735

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Net cash generated from operating activities

We derived our cash inflows from operations principally from the receipts in respect of the sales of our products. Our cash outflows from operations were principally payments for purchases of raw materials and consumables used, selling and marketing expenses, administrative expenses and other operating expenses.

For FY2016, our net cash generated from operating activities was approximately RMB13.8 million. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB13.3 million, adjusted for (i) depreciation of property, plant and equipment of approximately RMB3.8 million; (ii) finance costs of approximately RMB1.6 million; (iii) impairment provision for trade receivables of approximately RMB1.1 million; (iv) reversal of impairment provision for inventories of approximately RMB3.1 million; (v) increase in inventories of approximately RMB8.3 million; (vi) increase in trade and other receivables of approximately RMB2.0 million; and (vii) increase in contract liabilities of approximately RMB8.5 million.

For FY2017, our net cash generated from operating activities was approximately RMB1.5 million. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB37.5 million, adjusted for (i) depreciation of property, plant and equipment of approximately RMB4.0 million; (ii) finance costs of approximately RMB1.7 million; (iii) impairment provision for trade receivables of approximately RMB2.0 million; (iv) increase in restricted cash of approximately RMB2.0 million; (v) increase in inventories of approximately RMB7.5 million; (vi) increase in trade and other receivables of approximately RMB45.0 million; (vii) increase in trade and other payables of approximately RMB18.7 million; (viii) decrease in contract liabilities of approximately RMB2.8 million; and (ix) income tax paid of approximately RMB6.3 million.

For 6M2018, our net cash generated from operating activities was approximately RMB5.7 million. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB26.5 million, adjusted for (i) depreciation of property, plant and equipment of approximately RMB2.1 million; (ii) finance costs of approximately RMB1.1 million; (iii) increase in restricted cash of approximately RMB9.0 million; (iv) decrease in inventories of approximately RMB8.1 million; (v) increase in trade and other receivables of approximately RMB22.4 million; (vi) increase in trade and other payables of approximately RMB1.7 million; (vii) increase in contract liabilities of approximately RMB3.5 million; and (viii) income tax paid of approximately RMB6.1 million.

For FY2018, our net cash generated from operating activities was approximately RMB20.1 million. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB47.1 million, adjusted for (i) depreciation of property, plant and equipment of approximately RMB4.1 million; (ii) finance costs of approximately RMB2.2 million; (iii) decrease in inventories of approximately RMB2.0 million; (iv) increase in trade and other receivables of approximately RMB51.6 million; (v) increase in trade and other payables of approximately RMB24.9 million; and (vi) income tax paid of approximately RMB10.6 million.

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For 6M2019, our net cash generated from operating activities was approximately RMB18.9 million. This net cash inflow was primarily a result of profit before income tax in the amount of approximately RMB24.3 million, adjusted for (i) depreciation of property, plant and equipment of approximately RMB2.1 million; (ii) finance costs of approximately RMB1.2 million; (iii) increase in restricted cash of approximately RMB1.6 million; (iv) decrease in inventories of approximately RMB10.6 million; (v) increase in trade and other receivables of approximately RMB1.8 million; (vi) decrease in trade and other payables of approximately RMB2.1 million; (vii) decrease in contract liabilities of approximately RMB4.5 million; and (viii) income tax paid of approximately RMB9.6 million.

Net cash used in investing activities

For FY2016, our net cash used in investing activities was approximately RMB1.5 million, which was mainly attributable to cash outflows for purchase of property, plant and equipment of approximately RMB1.5 million. The purchase of property, plant and equipment primarily related to purchase of machinery.

For FY2017, our net cash used in investing activities was approximately RMB1.9 million, which was mainly attributable to cash outflows for purchase of property, plant and equipment of approximately RMB1.9 million. The purchase of property, plant and equipment primarily related to purchase of machinery.

For 6M2018, our net cash used in investing activities was approximately RMB0.5 million, which was mainly attributable to cash outflows for purchase of property, plant and equipment of approximately RMB0.6 million. The purchase of property, plant and equipment primarily related to purchases of transportation, equipment and machinery.

For FY2018, our net cash used in investing activities was approximately RMB7.6 million, which was mainly attributable to (i) cash outflows for purchase of property, plant and equipment of approximately RMB6.7 million which was related to construction in progress in connection with our building expansion; and (ii) cash outflows for purchase of land use rights of approximately RMB0.7 million.

For 6M2019, our net cash used in investing activities was approximately RMB7.6 million, which was mainly attributable to cash outflows for purchase of property, plant and equipment of approximately RMB7.6 million. The purchase of property, plant and equipment primarily related to the properties under construction in connection with our building expansion.

Net cash (used in)/generated from financing activities

For FY2016, our net cash used in financing activities was approximately RMB5.7 million, which was mainly attributable to (i) cash inflows for receipt of loans from controlling shareholder of approximately RMB20.4 million; (ii) cash outflows for repayment of loans to controlling shareholder of approximately RMB32.8 million; (iii) cash inflows for receipt of loans from a shareholder of a subsidiary of approximately RMB1.8 million; (iv) cash outflows for repayment of loans to a shareholder of a subsidiary of approximately RMB1.5 million; (v) cash inflows for proceeds from bank borrowings of approximately RMB25.0 million; (vi) cash outflows for repayments of bank borrowings of approximately RMB18.0 million; (vii) cash inflows for receipt of sale and lease back of property, plant and equipment of approximately RMB1.6 million; and (viii) cash outflows for interest paid of approximately RMB1.6 million.

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For FY2017, our net cash generated from financing activities was approximately RMB7.6 million, which was mainly attributable to (i) cash inflows for receipt of loans from controlling shareholder of approximately RMB10.4 million; (ii) cash inflows for proceeds from bank borrowings of approximately RMB25.0 million; (iii) cash outflows for repayments of bank borrowings of approximately RMB25.0 million; and (iv) cash outflows for interest paid of approximately RMB1.7 million.

For 6M2018, our net cash generated from financing activities was approximately RMB10.7 million, which was mainly attributable to (i) cash inflows for receipt of loans from our controlling shareholder of approximately RMB3.0 million; (ii) cash outflows for repayment of loans to our controlling shareholder of approximately RMB11.8 million; (iii) cash inflows for proceeds from bank borrowings of approximately RMB9.0 million; (iv) cash inflows for capital injection from non-controlling interest of approximately RMB12.0 million; and (v) cash outflows for interest paid of approximately RMB1.1 million.

For FY2018, our net cash generated from financing activities was approximately RMB7.0 million, which was mainly attributable to (i) cash inflows for receipt of loans from controlling shareholder of approximately RMB5.2 million; (ii) cash outflows for repayment of loans to controlling shareholder of approximately RMB11.9 million; (iii) cash outflows for professional expenses paid in connection with the issuance of new shares during the Listing process of approximately RMB3.7 million; (iv) cash inflow for proceeds from bank borrowings of approximately RMB42.0 million; (v) cash outflows for repayments of bank borrowings of approximately RMB34.0 million; (vi) cash inflow for capital injection from non-controlling interests of approximately RMB12.0 million; and (vii) cash outflows for interest paid of approximately RMB2.2 million.

For 6M2019, our net cash used in financing activities was approximately RMB2.0 million, which was mainly attributable to (i) cash inflows for receipt of loans from controlling shareholders of approximately RMB1.1 million; (ii) cash outflows for repayment of loans to controlling shareholders of approximately RMB10.3 million; (iii) cash outflows for professional expenses paid in connection with the issuance of new shares during the listing process of approximately RMB1.2 million; (iv) cash inflows for proceeds from bank borrowings of approximately RMB25.9 million; (v) cash outflows for repayments of bank borrowings of approximately RMB8.0 million; (vi) cash outflows for interest paid of approximately RMB1.2 million; (vii) cash inflows for capital contribution from a Pre-IPO Investor of our Company of approximately RMB17.2 million; and (viii) cash outflows for repurchase of shares from non-controlling interests of approximately RMB25.3 million.

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NET CURRENT (LIABILITIES)/ASSETS

Details of our current assets and current liabilities as at 31 December 2016, 2017 and 2018, 30 June 2019 and 31 October 2019, being the latest practicable date for determining our Group's indebtedness, are as follows.

	As at 31 December			As at 30 June	As at 31 October
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets					
Inventories	23,329	30,892	29,044	18,459	20,837
Trade and other receivables	41,050	84,025	138,505	141,680	150,066
Cash and cash equivalents	6,954	14,078	33,566	42,735	38,940
Restricted cash	–	2,000	1,410	3,000	3,430
	71,333	130,995	202,525	205,874	213,273
Current liabilities					
Trade and other payables	21,983	40,533	65,455	69,950	88,608
Loan from controlling shareholder	55,668	62,252	71,865	62,916	48,925
Loan from a shareholder of a subsidiary	13,874	12,966	–	–	–
Contract liabilities	8,525	5,756	5,953	1,469	1,695
Current income tax liabilities	1,231	5,256	7,976	5,853	1,761
Borrowings	25,000	25,000	33,000	50,900	49,900
Obligations under finance leases	772	508	68	–	–
Lease liability	–	–	–	229	419
	127,053	152,271	184,317	191,317	191,308
Net current (liabilities)/assets	(55,720)	(21,276)	18,208	14,557	21,965

We recorded net current liabilities of approximately RMB55.7 million and RMB21.3 million as at 31 December 2016 and 2017 respectively, and net current assets of approximately RMB18.2 million, RMB14.6 million and RMB22.0 million as at 31 December 2018, 30 June 2019 and 31 October 2019, respectively.

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As at 31 October 2019, our Group's net current assets increased by approximately RMB7.4 million, or 50.9%, from approximately RMB14.6 million as at 30 June 2019 to approximately RMB22.0 million as at 31 October 2019. The increase in net current assets was mainly due to (i) the increase in inventories of approximately RMB2.4 million; (ii) the increase in trade and other receivables of approximately RMB8.4 million; (iii) the increase in restricted cash of approximately RMB430,000; (iv) the decrease in loan from controlling shareholder of approximately RMB14.0 million; (v) the decrease in current income tax liabilities of approximately RMB4.1 million; and (vi) the decrease in borrowings of approximately RMB1.0 million, which was partially offset by (a) the decrease in cash and cash equivalents of approximately RMB3.8 million; (b) the increase in trade and other payables of approximately RMB18.7 million; (c) the increase in contract liabilities of approximately RMB226,000; and (d) the increase in lease liability of approximately RMB190,000.

As at 30 June 2019, our Group's net current assets decreased by approximately RMB3.7 million, or 20.1%, from approximately RMB18.2 million as at 31 December 2018 to approximately RMB14.6 million as at 30 June 2019. The decrease in net current assets was mainly due to (i) the decrease in inventories of approximately RMB10.6 million; (ii) the increase in trade and other payables of approximately RMB4.5 million; and (iii) the increase in borrowings of approximately RMB17.9 million, which was partially offset by (a) the increase in trade and other receivables of approximately RMB3.2 million; (b) the increase in cash and cash equivalents of approximately RMB9.2 million; (c) the increase in restricted cash of approximately RMB1.6 million; (d) the decrease in loans from controlling shareholder of approximately RMB8.9 million; (e) the decrease in contract liabilities of approximately RMB4.5 million; and (f) the decrease in current income tax liabilities of approximately RMB2.1 million.

Our Group changed from net current liabilities of approximately RMB21.3 million as at 31 December 2017 to net current assets of approximately RMB18.2 million as at 31 December 2018. The increase in net current assets was mainly due to (i) the increase in trade and other receivables of approximately RMB54.5 million; and (ii) the increase in cash and cash equivalents of approximately RMB19.5 million, which was partially offset by (a) the increase in trade and other payables of approximately RMB24.9 million; (b) the increase in current income tax liabilities of approximately RMB2.7 million; and (c) the increase in borrowings of approximately RMB8.0 million.

Our Group's net current liabilities decreased from approximately RMB55.7 million as at 31 December 2016 to approximately RMB21.3 million as at 31 December 2017. The decrease in net current liabilities was primarily attributable to (i) the increase in inventories of approximately RMB7.6 million; (ii) the increase in trade and other receivables of approximately RMB43.0 million; and (iii) the increase in cash and cash equivalents of approximately RMB7.1 million, which was partially offset by (a) the increase in trade and other payables of approximately RMB18.6 million; and (b) the increase in current income tax liabilities of approximately RMB4.0 million.

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As at 31 December 2016, our Group's net current liabilities amounted to approximately RMB55.7 million, in which our Group's current assets mainly consisted of (i) inventories of approximately RMB23.3 million; (ii) trade and other receivables of approximately RMB41.1 million; (iii) cash and cash equivalents of approximately RMB7.0 million; and our Group's current liabilities mainly consisted of (a) trade and other payables of approximately RMB22.0 million; (b) loan from controlling shareholder of approximately RMB55.7 million; (c) loan from a shareholder of a subsidiary of approximately RMB13.9 million; (d) contract liabilities of approximately RMB8.5 million; (e) current income tax liabilities of approximately RMB1.2 million; and (f) borrowing of approximately RMB25.0 million.

Our net current liabilities position

Our Group's net current liabilities position as at 31 December 2016 and 2017 was primarily due to loan from Controlling Shareholder, being Ms. Wong Han Yu Alice, and loan from a shareholder of a subsidiary, being Mr. Lam Ting Tung, of approximately RMB69.5 million and RMB75.2 million as at 31 December 2016 and 2017, respectively. On 5 September 2018, loan from a shareholder of a subsidiary was transferred to Ms. Wong Han Yu Alice. As at the Latest Practicable Date, loans from Controlling Shareholder amounted to approximately RMB51.6 million, of which an amount of approximately RMB50.2 million will be waived conditional upon Listing and the remaining portion will be settled before Listing. For further details, please refer to the section headed "History, Development and Reorganisation" in this prospectus.

DESCRIPTION ON MAJOR COMPONENTS OF THE CONSOLIDATED BALANCE SHEETS

Property, plant and equipment

During the Track Record Period, our Group's property, plant and equipment represented buildings, transportation equipment, office equipment and machinery. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our property, plant and equipment amounted to approximately RMB33.8 million, RMB31.0 million, RMB33.4 million and RMB44.9 million, respectively. The decrease in property, plant and equipment from approximately RMB33.8 million as at 31 December 2016 to approximately RMB31.0 million as at 31 December 2017 was mainly due to depreciation charged. The increase in property, plant and equipment from approximately RMB31.0 million as at 31 December 2017 to approximately RMB33.4 million as at 31 December 2018 was mainly due to additions to equipment. The further increase in property, plant and equipment from approximately RMB33.4 million as at 31 December 2018 to approximately RMB44.9 million as at 30 June 2019 was due to additions of properties under construction.

Right of use assets

Our land use rights represents land use right and right of use assets, and were approximately RMB12.3 million, RMB12.1 million, RMB12.5 million and RMB13.3 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

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Inventories

The table below sets forth a summary of our inventories and inventory turnover days for the periods indicated.

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	4,589	9,835	11,346	11,461
Finished goods	18,876	21,164	17,698	6,998
Less: allowance for impairment	(136)	(107)	–	–
Total	23,329	30,892	29,044	18,459
Average inventory ¹	17,600	27,111	29,968	23,752
Inventory turnover days ²	81	40	29	19

Notes:

1. Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period, divided by two.
2. Average inventory turnover days is equal to the average inventory divided by cost of sales of the relevant year/period and multiplied by 365 days/181 days.

Our inventories comprised raw materials and finished goods. The raw materials for our PHC piles are mainly cement, sand, gravel, spiral ribs, pre-tensioned steel reinforcing bars, end plates, wires and additives. The raw materials for our commercial concrete are mainly cement, sand, gravel and additives. Our finished goods comprise PHC piles only. The total inventory balances increased by approximately RMB7.6 million, or 32.4%, from approximately RMB23.3 million as at 31 December 2016 to approximately RMB30.9 million as at 31 December 2017, which was primarily due to purchases of raw materials and accumulations of finished goods in anticipation of the increase in sales of PHC piles during the first quarter of 2018.

The total inventory balances decreased by approximately RMB1.8 million, or 6.0%, from approximately RMB30.9 million as at 31 December 2017 to approximately RMB29.0 million as at 31 December 2018, as our sales increased by the end of FY2018, thus leading to the decrease in inventory balance of finished goods as at 31 December 2018. The total inventory balances decreased by approximately RMB10.6 million, or 36.4%, from approximately RMB29.0 million as at 31 December 2018 to approximately RMB18.5 million as at 30 June 2019, due to the continuous usage of our existing inventory stock while our production volume for PHC piles dropped for 6M2019 because we temporarily paused production for technical rectification during the Chinese New Year and we were able to convert our accumulated inventory of finished goods into sales, thus leading to the decrease in inventory balance of finished goods as at 30 June 2019.

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Our inventory turnover days decreased from approximately 81 days for FY2016 to approximately 40 days for FY2017 primarily because the increase in our cost of sales outweighed the increase in our average inventory. The increase in cost of sales is in line with our sales growth during the periods. Our inventory turnover days further decreased from approximately 40 days for FY2017 to approximately 29 days for FY2018 as our sales increased by the end of FY2018, and to approximately 19 days for 6M2019 as we were able to convert our accumulated inventory of finished goods into sales.

The table below sets forth the ageing analysis of our inventories for the periods indicated:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	13,598	20,053	19,087	15,056
6 months to 1 year	8,961	10,161	8,978	2,289
1 to 2 years	478	646	489	601
Over 2 years	427	139	490	512
Total	23,465	30,999	29,044	18,459

As at the Latest Practicable Date, approximately RMB13.8 million, or 74.6%, of our inventories as at 30 June 2019 was utilised or sold.

Trade and other receivables

The table below sets forth a breakdown of our trade receivables for the periods indicated.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
– Third parties	35,632	78,666	124,057	127,712
Less: allowance for impairment of trade receivables	(2,226)	(3,631)	(3,789)	(2,849)
Trade receivables	33,406	75,035	120,268	124,863

Our trade receivables are arisen from sales of our PHC pile and commercial concrete products. Our trade receivables amounted to approximately RMB33.4 million, RMB75.0 million, RMB120.3 million and RMB124.9 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The increase in trade receivables was mainly due to the increase in our revenue.

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The table below sets forth the ageing analysis of trade receivables based on the invoice date as at the respective date.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	10,700	38,584	65,025	70,228
1 to 6 months	14,052	33,510	54,506	56,241
6 months to 1 year	9,830	2,756	1,984	212
1 to 2 years	1,050	3,225	2,162	1,000
Over 2 years	–	591	380	31
Total	35,632	78,666	124,057	127,712

As at the Latest Practicable Date, approximately RMB96.8 million, or approximately 75.8% of our Group's trade receivables as at 30 June 2019 was subsequently settled.

The table below sets forth the ageing analysis of trade receivables that were past due but not impaired and for which our Group does not hold any collateral as at the respective date.

	As at 31 December				As at 30 June	Subsequent settlement as at the Latest Practicable Date	Percentage of amount settled as at the Latest Practicable Date
	2016	2017	2018	2019	2019	2019	%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Within 1 month	9,275	25,333	32,862	19,463	16,774	86.2	
1 month to 6 months	5,102	6,475	3,857	20,267	16,219	80.0	
6 months to 1 year	4,118	429	551	429	182	42.4	
1 to 2 years	1,050	6,298	1,569	597	561	94.0	
2 to 3 years	–	592	2,056	11	–	0.0	
Total	19,545	39,127	40,895	40,767	33,736	82.8	

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The table below sets forth our other receivables, prepayments, and notes receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables				
– Third parties	2,261	1,073	823	915
Less: allowance for impairment of other receivables	(58)	(76)	(81)	(101)
	2,203	997	742	814
Prepayments				
– Third parties	4,685	6,943	10,883	6,743
Notes receivables				
– Third parties	756	1,050	6,612	9,260
Total	7,644	8,990	18,237	16,817

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our other receivables, prepayments and notes receivables amounted to approximately RMB7.6 million, RMB9.0 million, RMB18.2 million and RMB16.8 million, respectively. Our other receivables from third parties mainly consisted of (i) tender deposit; (ii) reimbursed expenses; and (iii) transportation expenses. Our prepayments to third parties mainly consisted of purchase of raw materials and consumables used. Our notes receivables from third parties are related to trade-backed bank acceptance bills provided by customers in relation to sales of our PHC pile and commercial concrete products.

As at 31 December 2017, our other receivables, prepayments and notes receivables increased by approximately RMB1.3 million, or 17.6%, from approximately RMB7.6 million as at 31 December 2016 to approximately RMB9.0 million as at 31 December 2017. As at 31 December 2018, our other receivables, prepayments and notes receivables increased by approximately RMB9.2 million, or 102.9%, from approximately RMB9.0 million as at 31 December 2017 to approximately RMB18.2 million as at 31 December 2018. The increase was primarily due to the increase in our third parties prepayments and notes receivables as result of increase in our sales. As at 30 June 2019, our other receivables, prepayments and notes receivables decreased by approximately RMB1.4 million, or 7.8%, from approximately RMB18.2 million as at 31 December 2018 to approximately RMB16.8 million as at 30 June 2019. The decrease was primarily due to the decrease in our third party prepayments. Notes receivables is a form of payment made by our customers. As some customers opted for this payment method, the increase in our notes receivables during the Track Record Period was in line with our increase in revenue for the corresponding periods. Prepayments during the Track Record Period were primarily trade deposit required by our suppliers for raw material and consumables used. During FY2016, FY2017 and FY2018, our cost of sales increased in line with the increase in our revenue, and as a result we recorded an increase in prepayments for deposits for raw materials.

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	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Average trade receivables and notes receivables ¹	34,959	55,124	101,483	131,926
Trade receivables and notes receivables turnover days ²	126	67	82	88

Notes:

1. Average trade receivables and notes receivables equal trade receivables and notes receivables net of allowance for impairment of trade receivables at the beginning of the year/period plus trade receivables and notes receivables net of allowance for impairment of trade receivables at the end of the year/period, divided by two.
2. Trade receivables and notes receivables turnover days is equal to the average trade receivables and notes receivables divided by revenue of the relevant year/period and multiplied by 365 days/181 days.

The settlement method of trade receivables and notes receivables granted by our Group are generally divided into three categories. For further details, please refer to note 21 to the Accountant's Report as set out in Appendix I to this prospectus. In general, we allow our customers a credit period from delivery of our products not more than 90 days. As the trade receivables and notes receivables turnover days in FY2017, FY2018 and 6M2019 were less than 90 days, our Directors are of the view that our trade receivables and notes receivables are generally settled in accordance with terms stipulated in the sales contracts. However, we will also grant a longer credit period to our long-term customers who have good payment history.

Our trade receivables and notes receivables turnover days decreased from approximately 126 days for FY2016 to approximately 67 days for FY2017 primarily because the increase in our revenue outweighed the increase in our trade receivables and notes receivables as a result of increase in sales. We granted relatively longer credit period for our customers with long-term business relationship in FY2018, mainly because of longer business relationship with our Company and good payment history. During the Track Record Period, our Group allows credit term of more than 90 days to selected customers on a case-by-case basis depending on the projects, business relationship with and creditworthiness of the respective customers. For customers that had long-term business relationship with our Group, credit period from 90 days up to approximately 346 days may be granted (the "**Longer Credit Period**"). According to the F&S Report, credit period granted by PHC pile and commercial concrete manufacturers in Jiangsu Province varies and it is not uncommon for such manufacturers to provide longer credit period for customers that had long-term business relationship with them. For instance, among our five largest customers during the Track Record Period, we granted (i) Customer C to settle (a) RMB1.2 million in 22 days; (b) 75% of the total amount of purchased goods in 168 days; and (c) the remaining balance in 346 days in FY2016; (ii) Customer H to settle half of its payment within 279 days and another half of its payment within 338 days, unless the credit limit offered was exceeded in FY2017; and (iii) Customer G to settle its payment within 339 days, unless the credit limit offered was exceeded in FY2018. As a result, trade receivables and notes receivables turnover days increased from approximately 67 days in FY2017 to approximately 82 days in FY2018. Our trade receivables and notes receivables turnover days remained relatively stable subsequently at approximately 88 days for 6M2019.

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As at the Latest Practicable Date, all the trade receivables due as at 30 June 2019 from Customer E, being one of the five largest customers in FY2016 and 6M2019, had been settled.

As at the Latest Practicable Date, approximately RMB6.5 million, or 55.8% of the total trade receivables due as at 30 June 2019 from Customer H, being one of the five largest customers in FY2017, FY2018 and 6M2019, had been settled.

Restricted cash

Our restricted cash represents guarantee deposits for bank acceptances bill and bank borrowings. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our restricted cash was nil, approximately RMB2.0 million, RMB1.4 million and RMB3.0 million, respectively.

Other reserves

Our other reserves primarily represented PRC statutory reserve and other reserves. In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or increase capital of the respective companies. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our other reserves were approximately RMB2.4 million, RMB9.8 million, RMB13.8 million and RMB(71.6) million, respectively. The decrease in other reserves was mainly caused by the effect of the Reorganisation, which represented the difference between the carrying value of our Group and the share capital of our Company upon completion of the Reorganisation. For further details, please refer to note 26 to the Accountant's Report as set out in Appendix I to this prospectus.

Trade and other payables

The table below sets forth a breakdown of our trade payables as of the dates indicated.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– Third parties	14,412	32,042	54,420	60,682

Our trade payables to third parties are derived primarily from payables relating to the purchase of raw materials and consumables used. Our trade payables increased from approximately RMB14.4 million as at 31 December 2016 to approximately RMB32.0 million as at 31 December 2017, and further increased to approximately RMB54.4 million as at 31 December 2018, primarily due to increased purchases of raw material to support the growth of our productions, in order to prepare for the increasing sales. Our trade payables increased from approximately RMB54.4 million as at 31 December 2018 to approximately RMB60.7 million as at 30 June 2019 primarily due to a proportion of our prepayment recognised as at 30 June 2019.

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The table below sets forth the ageing analysis of trade payables based on the invoice date as at the respective date.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 month	9,624	19,119	26,184	43,556
1 to 6 months	3,849	9,669	26,064	15,042
6 months to 1 year	265	2,029	804	842
1 to 2 years	489	713	605	479
Over 2 years	185	512	763	763
Total	<u>14,412</u>	<u>32,042</u>	<u>54,420</u>	<u>60,682</u>

As at the Latest Practicable Date, approximately RMB52.2 million, or approximately 86.1%, of our trade payables as at 30 June 2019 was subsequently settled.

The table below sets forth our other payables as at the dates indicated.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables				
– Related parties	1,972	–	–	–
– Third parties	1,172	1,317	861	498
	<u>3,144</u>	<u>1,317</u>	<u>861</u>	<u>498</u>
Accrued payroll	3,370	3,679	3,606	3,132
Accrued listing expenses	–	–	3,050	4,128
Other tax payables	1,057	1,451	2,108	1,510
Notes payables	–	2,000	1,410	–
Dividends payable	–	44	–	–
Total	<u>7,571</u>	<u>8,491</u>	<u>11,035</u>	<u>9,268</u>

Our other payables to related parties are non-trade payables to Ms. Wong Han Yu Alice, such as cash in advance. Our accrued payroll consisted employee payroll, commissions and bonus. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our other payables amounted to approximately RMB7.6 million, RMB8.5 million, RMB11.0 million and RMB9.3 million, respectively.

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As at 31 December 2017, our other payables increased by approximately RMB0.9 million, or 12.2%, from approximately RMB7.6 million as at 31 December 2016 to approximately RMB8.5 million as at 31 December 2017. The increase was primarily due to the increase in our notes payables as a result of increase in our cost of sales, which was in line with our sales growth during the period. Our notes payables related to trade-backed bank acceptance bills that we provide to our suppliers in payment for our purchase of raw materials. We adopted such a payment method since 2017. As at 31 December 2018, our other payables increased by approximately RMB2.5 million, or 30.0%, from approximately RMB8.5 million as at 31 December 2017 to approximately RMB11.0 million as at 31 December 2018. The increase was primarily due to the accrued Listing expenses. As at 30 June 2019, our other payables decreased by approximately RMB1.8 million, or 16.0%, from approximately RMB11.0 million as at 31 December 2018 to approximately RMB9.3 million as at 30 June 2019. The decrease was primarily due to the decrease in notes payables as a result of the decreasing trend of accepting notes payables as a payment method for our purchase of raw materials from our suppliers.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Average trade payables and notes payables ¹	16,840	24,227	44,936	58,256
Trade payables and notes payables turnover days ²	77	36	44	47

Notes:

1. Average trade payables and notes payables equal trade payables and notes payables at the beginning of the year/period plus trade payables and notes payables at the end of the year/period, divided by two.
2. Trade payables and notes payables turnover days is equal to the average of trade payables and notes payables divided by the cost of sales of the relevant year/period and multiplied by 365 days/181 days.

Our suppliers may require us to pay on demand or may offer us credit terms of up to 170 days after delivery of materials.

Our trade payables and notes payables turnover days decreased from approximately 77 days for FY2016 to approximately 36 days for FY2017 primarily because the increase in our cost of sales outweighed the increase in our trade payables and notes payables as a result of increase in cost of sales; while, the decrease in trade payables and notes payables for FY2016 as compared to FY2015 was mainly because we settled part of trade payables as at 31 December 2015 in FY2016. The increase in cost of sales is in line with our sales growth during the period. We have been granted relatively longer credit period by our suppliers in FY2018 mainly because of our longer business relationship and good payment history with our major suppliers. In line with our increase in cost of sales, our trade payables and notes payables turnover days increased from approximately 36 days in FY2017 to approximately 44 days in FY2018. Our Group settled majority of our payables before the end of our credit period as a way to further improve our relationship with our suppliers. Our trade payables and notes payables turnover days remained relatively stable subsequently at approximately 47 days in 6M2019.

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Loans from controlling shareholder/a shareholder of a subsidiary

The table below sets forth the details of our loans from controlling shareholder and a shareholder of a subsidiary as at 31 December 2016, 2017, and 2018 and 30 June 2019.

Movements of loan from controlling shareholder

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	65,852	55,668	62,252	71,865
Loan advanced	20,370	10,400	5,225	1,069
Loan repayment made	(32,843)	(328)	(11,860)	(10,266)
Non-cash movement	2,289	3,488	3,305	248
Transferred from loan from a shareholder of a subsidiary	–	–	12,943	–
At the end of the year/period	55,668	62,252	71,865	62,916

Movements of loan from a shareholder of a subsidiary

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	13,450	13,874	12,966	–
Loan advanced	1,826	–	–	–
Loan repayment made	(1,455)	–	(23)	–
Non-cash movement	53	(908)	–	–
Transferred to loan from controlling shareholder	–	–	(12,943)	–
At the end of the year/period	13,874	12,966	–	–

As at 31 December 2016, 2017 and 2018 and 30 June 2019, loans from Controlling Shareholder and a shareholder of a subsidiary are unsecured, interest free and repayable on demand. Pursuant to the Loan Waiver Deed, Ms. Wong Han Yu Alice agreed to waive approximately RMB50.2 million of the loans from Controlling Shareholder conditionally upon Listing and the remaining balance will be repaid before the Listing using our internal resources. For details, please refer to the sections headed “Relationship with our Controlling Shareholders — Financial independence” in this prospectus.

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Contract liabilities

The table below sets forth the details of our contract liabilities as at 31 December 2016, 2017 and 2018 and 30 June 2019.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	8,525	5,756	5,953	1,469

Contract liabilities represent advanced payments received from customers for goods that have not yet been transferred to customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our contract liabilities were approximately RMB8.5 million, RMB5.8 million, RMB6.0 million and RMB1.5 million, respectively.

Borrowings

The table below sets forth our Group's bank borrowings as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Bank borrowings, secured and guaranteed	25,000	25,000	25,000	25,000
Bank borrowing, unsecured and guaranteed	–	–	8,000	8,000
Bank borrowings, secured and unguaranteed	–	–	–	12,900
Bank borrowings, unsecured and unguaranteed	–	–	–	5,000
Total	25,000	25,000	33,000	50,900
Effective interest rates of our Group's bank borrowings ⁽¹⁾	5.7%	6.6%	6.6%	4.8% ⁽²⁾

Notes:

- (1) Effective interest rates of our Group's bank borrowings equal interest expenses on bank borrowings divided by the bank borrowings at the end of the year/period.
- (2) For the calculation of the effective interest rate as at 30 June 2019, interest expenses on bank borrowings is annualised so as to be comparable with prior years.

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As at 31 December 2016, 2017 and 2018 and 30 June 2019, our Group's bank borrowings of approximately RMB22.0 million were guaranteed by Ms. Wong Han Yu Alice and secured by pledge of our Group's buildings and land use right. The personal guarantee securing the bank borrowings will be released upon Listing.

Our bank borrowings of approximately RMB3.0 million were guaranteed by Ms. Wong Han Yu Alice and Mr. Wong Leung Yau, who is the father of Ms. Wong Han Yu Alice and our Non-executive Director, and secured by pledge of residential properties owned by Mr. Wong Leung Yau and Ms. Lee Mei Wai, who is the mother of Ms. Wong Han Yu Alice and spouse of Mr. Wong Leung Yau as at 31 December 2016, 2017 and 2018, and were guaranteed by Mr. Wong Leung Yau and secured by our Group's construction in progress as at 30 June 2019, and will be released and discharged upon early repayment of the bank borrowing using the net proceeds of the Share Offer.

As at 30 June 2019, our bank borrowings of approximately RMB8.0 million were guaranteed by Nantong Kangtai, which is controlled by a connected person of our Company, and will be released and discharged upon early repayment of the bank borrowing using the net proceeds of the Share Offer.

As at 30 June 2019, our additional bank borrowings of RMB9.9 million were pledged by property owned by Mr. Wong Leung Yau, and will be released and discharged upon early repayment of the bank borrowing using the net proceeds of the Share Offer. As at 30 June 2019, our borrowings of RMB3.0 million were pledged by our Group's bank deposits. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

The table below sets forth the carrying amounts of the assets of our Group pledged against our borrowings as at the dates indicated:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	6,345	5,982	5,619	5,437
Land use right	12,346	12,067	11,787	12,364
Construction in progress	–	–	–	14,967
Bank deposits	–	–	–	3,000

Our Directors confirmed that our shareholders have granted permission to our Group to use the said properties as security for our borrowings and all the terms and conditions for our borrowings remain unchanged until Listing.

Our Directors have confirmed that they are not aware of any material breach of any of the restrictive covenants contained in our borrowings during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, our borrowing agreements do not contain any material terms or covenants that may have any material adverse effect or restriction on us to make further borrowings or our ability to issue debt or equity securities in the future.

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SELECTED KEY FINANCIAL RATIOS

The table below sets forth certain key financial ratios of our Group as at or for the periods indicated.

	As at/For the year ended 31 December			As at/ For the six months ended 30 June
	2016	2017	2018	2019
Gross profit margin ⁽¹⁾ (%)	21.4	17.3	17.5	16.6
Net profit margin ⁽²⁾ (%)	9.7	9.2	7.5	6.1
Current ratio ⁽³⁾ (times)	0.6	0.9	1.1	1.1
Quick ratio ⁽⁴⁾ (times)	0.4	0.7	0.9	1.0
Gearing ratio ⁽⁵⁾ (%)	N/A	106.4	49.8	68.4
Debt to equity ratio ⁽⁶⁾ (%)	N/A	38.0	N/A	6.9
Interest coverage ⁽⁷⁾ (times)	9.7	22.7	24.9	21.6
Return on assets ^(8 and 10) (%)	8.3	15.7	13.6	12.4
Return on equity ^(9 and 10) (%)	N/A	117.5	51.3	44.4

Notes:

- (1) Gross profit margin is calculated by dividing the gross profit for the year/period by total revenue for the year/period and multiplied by 100%.
- (2) Net profit margin is calculated by dividing the net profit for the year/period by total revenue for the year/period and multiplied by 100%.
- (3) Current ratio is calculated based on the current assets divided by current liabilities as at the respective year/period end.
- (4) Quick ratio is calculated based on the total current assets less inventories and divided by total current liabilities as at the respective year/period end.
- (5) Gearing ratio is calculated based on the total interest-bearing loans divided by total equity as at the respective date and multiplied by 100%. Total interest-bearing loans include short-term and long-term interest-bearing bank and other borrowings.
- (6) Debt to equity ratio is calculated by the net debt (all borrowing, net of bank deposit and cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.

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- (7) Interest coverage is calculated based on the profit before interest and tax divided by the interest of each reporting period during the Track Record Period.
- (8) Return on assets is calculated based on the profit and total comprehensive income for each reporting period divided by the total assets as at the end of each reporting period and multiplied by 100%.
- (9) Return on equity is calculated based on the profit and total comprehensive income for each reporting period divided by the total equity as at the end of each reporting period and multiplied by 100%.
- (10) Six months data multiplied by two so as to be comparable with annual data.

For detailed analysis of our Group's revenue, gross profit, gross profit margin, net profit and net profit margin, please refer to the paragraph headed "Period-on-period comparison of results of operation" in this section.

Current ratio

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our current ratio was approximately 0.6 times, 0.9 times, 1.1 times and 1.1 times, respectively. Such increase as at 31 December 2017 was primarily because the increase in our total current assets outweighed the increase in current liabilities mainly contributed by increase in trade and other receivables during the year while the current ratio remained relatively stable as at 31 December 2018 and 30 June 2019.

Quick ratio

Our quick ratio was at approximately 0.4 times, 0.7 times, 0.9 times and 1.0 times as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The trend in quick ratio was similar to that of the current ratio.

Gearing ratio

As at 31 December 2016, the gearing ratio was not applicable to us due to negative equity, which was because of accumulated losses of approximately RMB9.4 million. As at 31 December 2017 and 2018 and 30 June 2019, our gearing ratio was approximately 106.4%, 49.8% and 68.4%, respectively. The decrease in gearing ratio from approximately 106.4% as at 31 December 2017 to approximately 49.8% as at 31 December 2018 was primarily resulted from the improvement in our operating profits over the Track Record Period. The gearing ratio increased from approximately 49.8% as at 31 December 2018 to approximately 68.4% as at 30 June 2019 primarily attributable to the increase in short-term borrowings as at 30 June 2019 as we secured three new loans for 6M2019, which was partially offset by the increase in total equity as at 30 June 2019.

Debt to equity ratio

As at 31 December 2016, the debt to equity ratio was not applicable to our Group due to negative equity, which was because of accumulated losses of approximately RMB9.4 million. As at 31 December 2017, our debt to equity ratio was approximately 38.0%. As at 31 December 2018, the debt to equity ratio was not applicable to our Group due to negative net debt recorded. As at 30 June 2019, our debt to equity ratio was approximately 6.9%.

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Interest coverage

During FY2016, FY2017 and FY2018, our interest coverage was in an increasing trend and amounted to approximately 9.7 times, 22.7 times and 24.9 times, respectively. Such increase was mainly due to our Group's significant increase in profit before interest and tax during the Track Record Period. The interest coverage decreased from approximately 24.9 times for FY2018 to approximately 21.6 times for 6M2019 because of the increase in interest expenses as we secured three new loans during 6M2019.

Return on assets

For FY2016, FY2017, FY2018 and 6M2019, our return on assets was approximately 8.3%, 15.7%, 13.6% and 12.4%, respectively. The return on assets increased from approximately 8.3% for FY2016 to approximately 15.7% for FY2017 because of the combined effect of the increase in the net profit from approximately RMB9.9 million for FY2016 to approximately RMB27.6 million for FY2017, and partially offset by the increase in total assets from approximately RMB118.8 million as at 31 December 2016 to approximately RMB175.9 million as at 31 December 2017. The return on assets decreased from approximately 15.7% for FY2017 to approximately 13.6% for FY2018 because of the combined effect of the increase in total assets from approximately RMB175.9 million as at 31 December 2017 to approximately RMB250.6 million as at 31 December 2018, and partially offset by the increase in the net profit from approximately RMB27.6 million for FY2017 to approximately RMB34.0 million FY2018. The return on assets decreased from approximately 13.6% for FY2018 to approximately 12.4% for 6M2019 mainly due to the slight increase in total assets from approximately RMB250.6 million as at 31 December 2018 to approximately RMB266.0 million as at 30 June 2019.

Return on equity

For FY2016, the return on equity ratio was not applicable to our Group due to negative equity, which was because of accumulated losses of approximately RMB9.4 million. For FY2017, FY2018 and 6M2019, our return on equity was approximately 117.5%, 51.3% and 44.4%, respectively. Such decreases were primarily because the increase in our total equity outweighed the increase in net profit.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

Our businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and loans from related parties denominated in USD. Our Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in USD. Our Group recorded approximately RMB(4.5) million, RMB4.6 million, RMB(3.2) million and RMB(0.3) million currency translation differences during the Track Record Period. The fluctuation was primarily due to the translation differences of the loans from related parties denominated in USD as at each year/period ending date. Our Group manages its foreign exchange

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risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The majority of the subsidiaries of our Group operate in the PRC and most of their transactions are denominated in RMB. Our Group did not have other significant exposure to foreign exchange risk.

Throughout the Track Record Period and up to the Latest Practicable Date, we had not engaged in any hedging activities.

Interest rate risk

Our interest rate risk arises from restricted cash, cash and cash equivalents and bank borrowings. Bank balances carried at prevailing market interest rate expose to cash flow interest rate risk. Bank borrowings at fixed rates expose to fair value interest rate risk. We closely monitors trend of interest rate and its impact on the interest rate risk exposure. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

If interest rates on bank borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest expenses for FY2016, FY2017, FY2018, 6M2018 and 6M2019 would increase or decrease by approximately RMB250,000, RMB250,000, RMB336,000, RMB166,000 and RMB191,400, respectively.

Credit risk

We are exposed to credit risk in relation to its trade, notes and other receivables and cash deposits with banks.

The carrying amounts of trade, notes and other receivables, restricted cash, cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

While the cash and cash equivalents and notes receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short term and long-term borrowings, to meet its daily operation and working capital requirements.

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The table below sets forth our financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

	Less than 1 year	Between 1 and 2 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2019			
Borrowings	50,900	–	50,900
Lease liabilities	486	–	486
Trade and other payables <i>(Note)</i>	65,308	–	65,308
Loans from controlling shareholder	62,916	–	62,916
Total	179,610	–	179,610
As at 31 December 2018			
Borrowings	33,000	–	33,000
Trade and other payables <i>(Note)</i>	59,741	–	59,741
Loan from controlling shareholder	71,865	–	71,865
Obligations under finance lease	71	–	71
Total	164,677	–	164,677
As at 31 December 2017			
Borrowings	25,000	–	25,000
Trade and other payables <i>(Note)</i>	35,403	–	35,403
Loan from controlling shareholder	62,252	–	62,252
Loan from a shareholder of a subsidiary	12,966	–	12,966
Obligations under finance lease	508	–	508
Total	136,129	–	136,129
As at 31 December 2016			
Borrowings	25,000	–	25,000
Trade and other payables <i>(Note)</i>	17,556	–	17,556
Loan from controlling shareholder	55,668	–	55,668
Loan from a shareholder of a subsidiary	13,874	–	13,874
Obligations under finance lease	855	508	1,363
Total	112,953	508	113,461

Note: Excluding other taxes payable and accrued payroll

FINANCIAL INFORMATION

Capital management

Our objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. We monitor the capital structure on a basis of gearing ratio.

PROPERTY INTERESTS

As at the Latest Practicable Date, our Group owns two parcels of land in Wangbao Town, Qidong City, Nantong, Jiangsu Province, the PRC on which we and as our production premise. For further details, please refer to the section headed "Business — Properties" in this prospectus.

CONTRACTUAL COMMITMENTS

Our Group leased various machinery with a carrying amount of approximately RMB1.9 million, RMB1.6 million and nil as at 31 December 2016, 2017 and 2018 respectively under finance leases expiring with two to three years. Also, our Group leased a vehicle with a carrying amount of nil, nil and approximately RMB518,000 as at 31 December 2016, 2017 and 2018 respectively under finance leases expiring within one year.

OFF-BALANCE SHEET ARRANGEMENTS

Saved for the contractual arrangements in this section and the Accountant's Report in Appendix I to this prospectus, our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

Other than those related party transactions as disclosed in Note 36 to the Accountant's Report as set out in Appendix I to this prospectus, our Directors have confirmed that, as at the Latest Practicable Date, we did not enter any related party transactions.

INDEBTEDNESS

As the close of business on 31 October 2019, being the latest practicable date on which indebtedness information was available to our Group, our Group had outstanding borrowings and lease liabilities of RMB99.3 million, comprising bank borrowing of approximately RMB49.9 million, unsecured non-interest-bearing loan from Controlling Shareholder of approximately RMB48.9 million and lease liabilities of approximately RMB430,000. For our bank borrowings as at 31 October 2019:

- i. approximately RMB22.0 million of our Group's bank borrowings were guaranteed by Ms. Wong Han Yu Alice and secured by pledge of our Group's buildings and land use rights. Such personal guarantee provided by Ms. Wong Han Yu Alice will be released upon Listing;
- ii. approximately RMB3.0 million of our Group's bank borrowings were guaranteed by Mr. Wong Leung Yau and secured by construction in progress of our Group;

FINANCIAL INFORMATION

- iii. approximately RMB7.0 million of our Group's bank borrowings were guaranteed by Nantong Kangtai. Such guarantee will be released and discharged upon early repayment of the bank borrowing using the net proceeds of the Share Offer;
- iv. approximately RMB9.9 million of our Group's bank borrowings were secured by pledge of a commercial property owned by Mr. Wong Leung Yau;
- v. approximately RMB3.0 million of our Group's bank borrowings were secured by pledge of our Group's bank deposits; and
- vi. approximately RMB5.0 million of our Group's bank borrowings were unguaranteed and unsecured.

As at 31 October 2019, our Group had unutilised banking facilities of approximately RMB1.1 million.

Save as indebtedness disclosed in this sub-section and apart from normal trade and other payables, intra-group liabilities and tax payable, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 31 October 2019.

LISTING EXPENSES

Our estimated expenses in relation to the Share Offer, including professional fees, underwriting fees and other fees incurred in connection with the Listing, are approximately RMB34.5 million (equivalent to approximately HK\$39.4 million), of which approximately RMB15.3 million (equivalent to approximately HK\$17.4 million) is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately RMB19.2 million (equivalent to approximately HK\$22.0 million), which cannot be so deducted, was or will be charged to profit or loss, of which nil, nil, approximately RMB5.5 million (equivalent to approximately HK\$6.4 million) and RMB6.4 million (equivalent to approximately HK\$7.3 million) were charged for FY2016, FY2017, FY2018 and 6M2019, respectively, and approximately RMB7.3 million (equivalent to approximately HK\$8.3 million) is expected to be incurred before or upon completion of the Share Offer. This calculation is based on the mid-point of the indicative Offer Price range of HK\$1.30 to HK\$1.40 per Offer Share and is subject to adjustment based on the actual amount incurred or to be incurred.

DISCLAIMER

Save as disclosed above, our Group did not have outstanding at the close of business on the indebtedness date any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

In spite of the net current liabilities for most of the Track Record Period, our Directors consider that it had not, and will not impose material adverse impact on our financial and operational status, for the following reason: our current liabilities contained large amount due to related parties including a non-interest-bearing loan from Controlling Shareholder, being Ms. Wong Han Yu Alice, an amount of approximately RMB50.2 million of which will be waived conditional upon Listing.

Our Directors are of the view that our Group's capital and liquidity requirements are closely monitored and its working capital sufficiency is always assured. Our Group's monthly management accounts will be prepared in a timely manner and will be reviewed by our Directors and our senior management. The monthly management accounts will be compared with the budgets and any material variances will be explained and followed up immediately. Our senior management will closely review the working capital requirements by monitoring any long outstanding receivables and payment schedules for our suppliers. If a shortfall of working capital is foreseen, our Group will adopt various measures to cope with it, such as hastening the collection of our outstanding receivables, increasing our bank facilities, delaying our non-urgent payments, etc.

In view of the above, our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including banking facilities, other internal resources, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

DIVIDEND AND DIVIDEND POLICY

During FY2017, Jiangsu Tailam declared and paid dividend in an aggregate amount of RMB1,060,000 to its then equity holders (including Tailam Hong Kong). Save for the above, no other dividend has been paid or declared by our Company since its incorporation and up to the Latest Practicable Date.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We do not have any pre-determined payout ratio.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated in Cayman Islands on 7 March 2019 as an exempted company with limited liabilities under the Company Law (Cap.22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. As no business activities has been carried out during the Track Record Period, our Company did not have any retained profits available for distribution to Shareholders as at 30 June 2019. With the approval of an ordinary resolution, our Company may declare and pay dividends out of any distributable reserves (including share premium) in accordance with the Companies Law.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed “Unaudited Pro Forma Financial Information” as set out in Appendix II to this prospectus for details.

STRATEGIC AGREEMENTS

On or after 1 February 2019, we entered into legally binding strategic agreements with seven of our customers, four of which were among our five largest customers during the Track Record Period.

The backgrounds of the seven customers with whom we entered into strategic agreements are as follows:

Customer G	Foundation company	Private company incorporated in the PRC in 2006, with a registered capital of RMB51.8 million.
Customer W	Construction company	Private company incorporated in the PRC. Listed on NEEQ in 2016, but delisted in 2018, with a registered capital of RMB1.2 billion. Based on its last published interim report before its delisting, it had a revenue of RMB9.4 billion for the first six months of 2018.
A company related to Customer L	Property developer	Private company incorporated in the PRC in 1999 with a registered capital of RMB60 million.
Customer O	Property developer	Private company incorporated in the PRC in 2017 with a registered capital of RMB20 million.

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Customer E	Provide contracting services in industrial and civil construction projects in the PRC	Private company incorporated in the PRC in 1955 with a registered capital of RMB308 million.
Customer Q	Provide services in geotechnical works and foundation works	Private company incorporated in the PRC in 1987 with a registered capital of RMB51.6 million.
Customer A	Provide general contracting services in construction projects in the PRC	A branch office of a private company incorporated in the PRC in 1958 with a registered capital of RMB1 billion.

These agreements are framework agreements in nature, with the following major terms:

(1) One-year duration.

Customer G	–	From 1 February 2019 to 31 January 2020
Customer W	–	From 1 March 2019 to 28 February 2020
A company related to Customer L	–	From 1 March 2019 to 28 February 2020
Customer O	–	From 1 March 2019 to 28 February 2020
Customer E	–	From 1 March 2019 to 28 February 2020
Customer Q	–	From 1 March 2019 to 28 February 2020
Customer A	–	From 1 March 2019 to 28 February 2020

(2) Products covered: PHC piles and commercial concrete.

(3) Our Group will be their priority supplier in a sense that they will procure PHC piles and commercial concrete from us first to the extent those products are available from us.

(4) In return, we will offer different discounts on our selling price depending on different levels of volume purchased.

(5) The framework agreement will be renewed if agreed by both parties.

Although these strategic agreements are framework agreements in nature, they stated that our Group will be their priority supplier for PHC piles and commercial concrete. Our Directors are therefore of the view that they are beneficial to our Group. There is no requirement for minimum purchase, and no credit limit is granted by our Group to all the above seven customers, including Customer G.

FINANCIAL INFORMATION

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD AND MATERIAL ADVERSE CHANGE

We invented a system, a patent application for which has been submitted during the Track Record Period to ensure that any remnant generated in the production process of PHC piles can be reused. This process will be energy-saving and effectively minimise wastage in the production process. The patent application was still in progress as at the Latest Practicable Date.

Our business model remained unchanged since 30 June 2019. Based on our unaudited management accounts, our revenue and gross profit for the ten months ended 31 October 2019 was better than that for the ten months ended 31 October 2018 mainly due to the increase in sales of commercial concrete products. Our Directors expect that our Group's performance for FY2019 will be worse than that for FY2018 primarily due to the non-recurring amount of Listing expenses. Excluding the impact of the Listing expenses, we expect our performance for FY2019 will be better than that for FY2018.

Our Directors have confirmed that, since 30 June 2019 and up to the date of this prospectus, there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group. Save for the above and the Listing expenses incurred as disclosed in the paragraph headed "Listing expenses" in this section, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 30 June 2019, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 30 June 2019 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as disclosed, our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors are of the view that the Listing will have the following benefits:

- (i) the net proceeds from the Share Offer raised in the Listing will enable us to meet our genuine funding needs as set out in “Business — Our strategies” of this prospectus. According to the F&S Report, the production volume of commercial concrete in Nantong is predicted to enjoy a growth from 2018, reaching approximately 26.4 million m³ by the end of 2023, with a CAGR of approximately 4.5%; and the production volume of square piles in Jiangsu Province is predicted to increase at a stable pace, with a CAGR of approximately 6.2% from 2019 to 2023, reaching approximately 15.9 million metres in 2023. In view of the abovementioned industry outlook, in order to capture the industry growth and to maintain our Group’s market position, our Group intends to expand the production facilities by establishing new production lines in Qidong City, Nantong, Jiangsu Province. Our Directors believe that the establishment of new production lines would enable our Group to capture business opportunities in the square pile and commercial concrete construction material industry in the PRC and enhance our Group’s corporate profile and recognition and assist our Group in reinforcing its brand image and public awareness;
- (ii) our business, namely the production of PHC piles and commercial concrete and the proposed large scale production of square piles is capital intensive. Any future projects will require us to spend a substantial amount of capital for production plant expansion and the upgrade of environmental protection system. The proceeds would provide us with an important capital base to fund our business plans. The Listing is also expected to bring us to additional capital not only from the Listing but also to the secondary capital markets both in debt and equity platforms;
- (iii) the Listing status of our Group will strengthen its credibility and competitiveness. Our Directors believe that the increased level of information transparency after the Listing will give our Company’s existing and prospective stakeholders public access to our Group’s corporate and financial information, which could generate further confidence in our Group and its products. The status of being a listed company on the Main Board will also raise our Group’s reputation amongst its competitors, which will help our Group implement its business strategies and expand its customer base and market share within the industry;
- (iv) the completion of the Listing will allow our Group the flexibility of raising fund by either debt financing or equity financing in the future. Compared to debt financing, fund raised through equity financing can remove uncertainty in relation to debt financing in terms of the amount that can be raised, the timing of such funding, the collaterals required, the potential rise of the cost of debt financing in the future, and the constraints that are likely to be imposed upon our Group (in terms of covenants which may restrict our ability to pay dividends or obtain additional financing) as a private company;

FUTURE PLANS AND USE OF PROCEEDS

- (v) as a listed company, it will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify the shareholder base and potentially lead to a more liquid market in the trading of our Shares; and
- (vi) being a listed company will allow us the flexibility of rewarding our staff with share options, which in turn will help us recruit, motivate and retain staff of high calibre. While it is also possible for private companies to grant share options to their staff, such options are unlikely to be attractive as a reward due to the lack of liquidity in private company shares. Being listed on the Stock Exchange which is an internationally recognised stock exchange will also increase the esteem and confidence of our employees.

Accordingly, our Directors believe that the Listing will be in the interest of our business development strategies.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Our strategies” in this prospectus for our business objectives and strategies.

USE OF PROCEEDS

We estimate the net proceeds from the Share Offer which we will receive, assuming an Offer Price of HK\$1.35 (being the mid-point of the Offer Price range), will be approximately HK\$67.2 million, after deduction of underwriting fees, commission fees, any discretionary incentive fee and estimated expenses paid/payable by us in connection with the Share Offer.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

Purpose of the net proceeds to be utilised	Amount of net proceeds of the Share Offer to be utilised	Percentage of net proceeds of the Share Offer to be utilised
	<i>HK\$ million</i>	<i>%</i>
Expand our production facilities	32.6	48.6
Expand our workforce	1.7	2.5
Further improve our environmental protection system	4.1	6.1
Further strengthen our sales and marketing capabilities	3.5	5.2
Upgrade our ERP System	2.3	3.5
Repayment of bank loans	22.7	33.7
General working capital	0.3	0.4
Total	67.2	100.0

We set out below the detailed breakdown and description of our intended use of the net proceeds of the Share Offer:

1. as to approximately 48.6% of the net proceeds, representing approximately HK\$32.6 million, will be used to expand our production facilities in the following manner:
 - (a) HK\$20.9 million being the construction cost and machinery and equipment costs for the establishment of one production line for square pile and one production line for commercial concrete which we expect to operate in the second quarter of 2020;
 - (b) HK\$2.3 million being the construction cost of a cement storage tank which is expected to be in place in the second quarter of 2020;
 - (c) HK\$2.4 million being the purchase cost for two cranes for the unloading of raw materials which we expect to acquire in the first quarter of 2020; and
 - (d) HK\$7.0 million being the partial cost of the improvement works for a 300-metre shoreline currently used by our Group;

FUTURE PLANS AND USE OF PROCEEDS

2. as to approximately 2.5% of our net proceeds, representing approximately HK\$1.7 million, will be used to expand our workforce by recruiting 44 additional staff who will be outsourced workers and to partially pay (through the employment agent) for their remuneration and other benefits for 12 months;

3. as to approximately 6.1% of our net proceeds, representing approximately HK\$4.1 million, will be used to further improve our environmental protection system by constructing/purchasing and installing the following in the fourth quarter of 2019:
 - (a) HK\$150,000 for the purchase of a sand and gravel separator to retain sand and gravel from the extra concrete generated from our production so that they can be reused;

 - (b) HK\$900,000 for a fully enclosed conveyor belt for the transportation of raw materials from the point of unloading to our warehouse. This will help to prevent dust and other airborne particles from being released to the open air during the transportation;

 - (c) HK\$500,000 for the construction of a fully automated workshop for the cleaning of vehicles; and

 - (d) HK\$2.5 million for the construction of a warehouse for the storage of some raw materials which are currently stored in open yard with dust and other airborne particles to be exposed to open air;

4. as to approximately 5.2% of our net proceeds, representing approximately HK\$3.5 million, will be used to further strengthen our sales and marketing capabilities through the sponsoring of sports events, advertising through outdoor signages, billboards, digital marketing on search engines, and publication of advertising pamphlet and/or publicity video to proactively promote our brand;

5. as to approximately 3.5% of our net proceeds, representing approximately HK\$2.3 million, will be used to upgrade our ERP System by buying licences for additional modules aim at enhancing the management of our production and operation, perform real-time management of our financial data, enhance cost management as well as collaboration between our purchasing department and sales department;

FUTURE PLANS AND USE OF PROCEEDS

6. as to approximately 33.7% of the net proceeds, representing HK\$22.7 million, will be used to early partially repay bank borrowings in the total sum of RMB19.5 million which is currently secured by, among other things, personal guarantees and personal properties with a view to ensuring financial independence of our Group. The last maturity date of the relevant bank borrowings is 27 January 2020, 29 April 2020 and 4 September 2021, respectively. The interest rates applicable to the relevant bank borrowings are within the range of 6.09% to 6.53% per annum. We already made preliminary arrangements for the repayment of the bank borrowings upon receiving such net proceeds from the Share Offer, including agreeing the repayment with the relevant banks and preliminary arrangements for the remittance of the funds into China to make the repayment. The period of up to three months after Listing is simply to allow for these remittance logistics and we will give an irrevocable instruction to the Placing Underwriters for the Listing proceeds to apply the net proceeds to repay the said RMB19.5 million of bank borrowings within three months after Listing; and
7. as to approximately 0.4% of the net proceeds, representing approximately HK\$0.3 million, will be used for working capital and other general corporate purposes.

If the Offer Price is finally determined to be more than HK\$1.35, being the mid-point of the indicative range of the Offer Price, the above proposed allocation of the net proceeds will increase on a *pro rata* basis. If the Offer Price is less than the mid-point of the indicative range of the Offer Price, the above allocation of the net proceeds will decrease on a *pro rata* basis, and our Company plans to finance such shortfall by internally generated financial resources and/or other financing as and when appropriate.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses paid/payable by it, will be approximately (i) HK\$14.7 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.40 per Share; (ii) HK\$14.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.35 per Share; and (iii) HK\$13.6 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$1.30 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a *pro rata* basis.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of the proceeds as described above, our Company will issue an announcement and make disclosure in our annual report for the relevant year as required by the Listing Rules.

To the extent that the net proceeds from the issue of Offer Shares under the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds be placed in short-term interest-bearing deposit accounts held with authorised financial institutions.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

China Finance KAB Limited

Future Land Resources Securities Limited

Brilliant Norton Securities Company Limited

Alpha Financial Group Limited

Luk Fook Securities (HK) Limited

Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 7,900,000 Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriter(s) have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, among other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

The Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters), at their sole and absolute discretion, may, for themselves and on behalf of the other Public Offer Underwriters, upon giving notice in writing to our Company made pursuant to Clause 9.11 of the Public Offer Underwriting Agreement (hereunder the “**Agreement**”), terminate the Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) that any statement contained in any offer documents or other relevant documents issued or used in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Offer Documents**”) considered by the Joint Bookrunners in their sole and absolute discretion to be

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material in the context of the Share Offer, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Offer Documents is not, in the sole and absolute opinion of the Joint Bookrunners, in all material respects, fair and honest and based on fair and reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Offer Documents considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their sole and absolute discretion to be material in the context of the Share Offer; or
- (iii) any of the representations and warranties given by our Controlling Shareholders in the Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Public Offer; or
- (iv) any breach of any of the obligations or undertakings under the Agreement or the Placing Underwriting Agreement imposed or to be imposed upon any party (other than the Joint Bookrunners or any of the Underwriters) thereto and considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) to be material in the context of the Public Offer; or
- (v) any material adverse change or prospective adverse change in the conditions (financial, trading or otherwise), business, assets and liabilities, properties, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, financial or trading position or prospect or performance of any Group company; or
- (vi) approval by the Listing Committee for the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of our Controlling Shareholders pursuant to the indemnities given by all or any of them under the Agreement or the Placing Underwriting Agreement; or
- (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

UNDERWRITING

- (x) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares pursuant to the terms of the Share Offer; or
 - (xi) a portion of the orders in the book-building process, which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Bookrunners, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or
 - (xii) any loss or damage has been sustained by any Group company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their sole and absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets or 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 devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction(s) relevant to our Company and any of our Group companies (collectively the “**Relevant Jurisdictions**” and each a “**Relevant Jurisdiction**”); or
 - (ii) any new laws or regulations or any change or development involving a prospective change in existing Laws, regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease) in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (iv) 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 or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions; or
- (viii) any material adverse change or development or event involving a prospective material adverse change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Joint Bookrunners (where such approval shall not be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus or offer document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Share Offer; or
- (xi) a petition is presented for the winding up or liquidation of our Company or any of Group companies, or our Company or any of our Group companies makes any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding up of our Company or any of our Group companies or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our Group companies or anything analogous thereto occurs in respect of our Company or any of our Group companies; or

UNDERWRITING

- (xii) any governmental authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non- government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate to take other action, against any Group company or Director; or
- (xiii) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of our Group companies or in respect of which our Company or any of our Group companies are liable prior to its stated maturity; or
- (xiv) any material litigation or claim being threatened or instigated against our Company or any of our Group companies; or
- (xv) a contravention by any Group companies of the Listing Rules or any laws, rules and regulations of the jurisdiction in which our Group carries on its business as determined by the Joint Bookrunners in their sole and absolute discretion to be material; or
- (xvi) any of our Directors or members of the senior management as set out in the section headed "Directors and Senior Management" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xvii) the chairperson of our Company or any Executive Director vacating his/her office,

which, individually or in aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (a) have or are or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, results of operations, financial, trading or other condition or prospects or risks of any Group companies or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) have or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) make or will or may make it inadvisable, inexpedient, impracticable or not commercially viable for any part of the Agreement or the Share Offer to proceed with; or

UNDERWRITING

- (d) have or will or may have the effect of making any part of the Agreement (including underwriting) incapable of performance or implemented in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (e) make or will or may make our Company unable to comply with the terms and conditions of the Share Offer, the Offer Shares and/or the Listing.

Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer (including the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

UNDERWRITING

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has irrevocably undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the other Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Over-allotment Option, the exercise of any options as may be granted under the Share Option Scheme, scrip dividend schemes or similar arrangements in accordance with the memorandum of association of our Company and the Articles, or any consolidation, sub-division or capital reduction of the Shares or any circumstances permitted under Rule 10.08 of the Listing Rules:

- (a) during the period commencing on the date of the Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Lock-up Period**”), our Company will not, and will procure each other Group company not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, allot and issue, accept subscription for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying right to subscribe for or exchangeable into shares or other securities of our Company or those of the other Group companies or enter into any swap or other arrangement that transfer, in whole or in part, any of the economic consequence of ownership or any Shares or offer or agree to do any of the foregoing or announce any intention to do so; and
- (b) our Company will not, and will procure each other Group company not to, enter into any of the transactions specified in (a) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholders, either individually or taken together with the others of them would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Lock-up Period (the “**Second Lock-up Period**”).

UNDERWRITING

In the event that, during the Second Lock-up Period, our Company enters into any of the transactions specified in (a) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders hereby jointly and severally undertakes and covenants to each of our Company, the Sole Sponsor, the Joint Bookrunners and the other Public Offer Underwriters that, except (a) pursuant to the Share Offer or pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules; or (b) permitted under the Listing Rules, without the prior written consent of our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it (the “**Related Parties**”) will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of, or enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules; and
- (b) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of, or enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, warranting shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

UNDERWRITING

In the event that any of our Controlling Shareholders enters into any of the transactions specified in (b) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Lock-up Period, each of our Controlling Shareholders hereby irrevocably undertakes to each of our Company, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that he/it shall take all reasonable steps to ensure that such transaction will not create a disorderly or false market for any Shares or other securities of our Company.

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners and the other Public Offer Underwriters that, within the period commencing on the date by reference to which disclosure of our Controlling Shareholders' direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (a) when he pledges or charges or otherwise create any rights or Encumbrances over any Shares or other securities of our Company in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) of such pledge or charge or creation of the rights or Encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters); and
- (b) subsequent to the pledge or charge or creation of rights or Encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) immediately above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) immediately above will be sold, transferred or disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable Laws, rules and regulations) of such indications.

Our Company undertakes that it shall comply with Rule 10.07 of the Listing Rules to inform the Stock Exchange, the Sole Sponsor and the Joint Bookrunners in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible or in any case in accordance under the Listing Rules and/or as required by the Stock Exchange.

Commissions and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 9.5% of the aggregate Offer Price in respect of all the Public Offer Shares. In addition, our Company may, in its sole and absolute discretion, to pay the Joint Bookrunners an additional incentive fee of up to 2.0% of the aggregate Offer Price in respect of all of the Public Offer Shares.

UNDERWRITING

In consideration of the Sole Sponsor's services in sponsoring the Share Offer, the Sole Sponsor will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$39.4 million in aggregate (assuming an Offer Price of HK\$1.35 per Offer Share (being the mid-point of the indicative Offer Price of HK\$1.30 to HK\$1.40 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" under this section.

Over-allotment Option

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Joint Bookrunners, on behalf of the Placing Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Public Offer, being 10 January 2020, to require our Company to allot and issue up to an aggregate of 11,850,000 additional Shares, representing 15.0% of the Offer Shares, at the Offer Price per Offer Share under the Placing, to cover over-allocations, if any, under the Placing. For further details of the Over-allotment Option, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

UNDERWRITER'S INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Public Offer Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 79,000,000 Offer Shares will be made available under the Share Offer. The Share Offer comprises:

- (a) the Public Offer which will be offered to the public in Hong Kong of 7,900,000 Offer Shares (subject to reallocation), representing 10.0% of the Offer Shares; and
- (b) the Placing which will be conditionally placed with selected professional, institutional and other investors of 71,100,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing 90.0% of the Offer Shares.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon, among others:

1. Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

- (i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and
- (ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date;

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.tlpile.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 17 December 2019 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 December 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

Number of Offer Shares Initially Offered

Our Company is initially offering 7,900,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between (i) the Public Offer; and (ii) the Placing, the number of the Public Offer Shares will represent approximately 90.0% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" below.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any reallocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools for allocation purposes: pool A and pool B. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 3,950,000 and 3,950,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 3,950,000 Public Offer Shares are liable to be rejected.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.40 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph “Price Determination of the Share Offer” below in this section, is less than the maximum price of HK\$1.40 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in section headed “How to Apply for Public Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 71,100,000 Shares (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing will represent approximately 90.0% of our enlarged issued share capital immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Placing is subject to the same conditions as stated in the paragraph “Conditions of the Public Offer” above in this section.

Allocation

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners, at their sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the number of Shares validly applied for under the Public Offer represents less than 15 times the initial number of the Public Offer Shares, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 15,800,000 Shares, i.e. not more than double the initial allocation of the Public Offer, representing 20% of the total number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 23,700,000 Shares, representing 30% of total number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 31,600,000 Shares, representing 40% of the total number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be 39,500,000 Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) In the event that the Placing Shares are undersubscribed under the Placing:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase up to 15,800,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or over-subscribed and the Public Offer Shares are fully subscribed or over-subscribed by less than 15 times; or (ii) the Placing Shares are not fully subscribed and the Public Offer Shares are fully subscribed or over-subscribed irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indication Offer Price range (i.e. HK\$1.30 per Offer Share) stated in this prospectus.

In accordance with Guidance Letter HKEX-GL91-18 (February 2018) issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 15,800,000 Shares). In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate, subject to Guidance Letter HKEX-GL91-18 (February 2018).

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 17 December 2019.

Over-allotment Option

In connection with the Share Offer, our Company is expected to grant an Over-allotment Option to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) that is exercisable at the sole discretion of the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Pursuant to the Over-allotment Option, the Joint Bookrunners have the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Public Offer, being 10 January 2020, to require our Company to allot and issue up to 11,850,000 additional Shares, representing 15.0% of the number of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.9% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE SHARE OFFER

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 11 December 2019, or such later date as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, the Share Offer will not proceed and will lapse.

The Offer Price will be not more than HK\$1.40 per Share and is expected to be not less than HK\$1.30 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.tlpile.com notices of the reduction in the number of Offer Shares being offered and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered and/or the indicative Offer Price range, extend the period under which the Public Offer was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require the potential investors who had applied for the Public Offer Shares to confirm their applications under the Public Offer under an opt-in approach. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

possibility that any announcement of a reduction in the number of Offer Shares being offered and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares under the Public Offer, are expected to be announced on Tuesday, 17 December 2019 in the manner set out in the section headed “How to Apply for Public Offer Shares — 10. Publication of Results” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.40 per Share and is expected to be not less than HK\$1.30 per Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.40 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,828.22 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.40 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, 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 any jurisdiction 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, China Finance KAB as stabilising manager may choose to borrow, whether on its own or through its affiliates, up to 11,850,000 Shares, representing 15% of our Offer Shares, from Apax Investment to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Apax Investment is entered into, it will only be effected by the stabilising manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows;

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Apax Investment by China Finance KAB (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Apax Investment or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be affected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payment will be made to Apax Investment by China Finance KAB (or any person acting for it) in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

China Finance KAB has been appointed by us as the stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, China Finance KAB, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on China Finance KAB, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of China Finance KAB, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last day for lodging application under the Public Offer, being 10 January 2020. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 11,850,000 Shares, which is 15.0% of the Offer Shares initially available under the Share Offer.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, China Finance KAB, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (2) in connection with any action described in paragraph (1) above:
 - (a) (i) over- allocate our Shares; or
 - (ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph(a) above;
 - (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and
 - (d) offer or attempt to do anything described in subparagraphs (a) (ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- China Finance KAB (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which China Finance KAB, its affiliates or any person acting for it, will maintain such a position;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- liquidation of any such long position by China Finance KAB, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Friday, 10 January 2020, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 18 December 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 18 December 2019.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of our Company is 6193.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the application forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 5 December 2019 until 12:00 noon on Wednesday, 11 December 2019 from:

- (a) any of the following offices of the Underwriters:

Name	Address
China Finance KAB Limited	30/F, Chinachem Century Tower 178 Gloucester Road, Wanchai Hong Kong
Future Land Resources Securities Limited	Flat B, 20th Floor Guangdong Investment Tower 148 Connaught Road Central Sheung Wan Hong Kong
Brilliant Norton Securities Company Limited	Suite 804, 8/F, Jubilee Centre 46 Gloucester Road, Wanchai Hong Kong
Alpha Financial Group Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Name	Address
Luk Fook Securities (HK) Limited	Units 2201-2207 & 2213-2214 22/F, Cosco Tower 183 Queen's Road Central Hong Kong
Sinomax Securities Limited	Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway Hong Kong

- (b) any of the following branches of **Bank of China (Hong Kong) Limited**, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central Hong Kong
Kowloon	Tsim Sha Tsui Branch	24-28 Carnarvon Road Tsim Sha Tsui Kowloon
New Territories	Tai Wai Branch	74-76 Tai Wai Road Sha Tin, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 5 December 2019 until 12:00 noon on Wednesday, 11 December 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for lodging application forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – TAILAM TECH CONSTRUCTION PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 5 December 2019 – 9:00 a.m. to 5:00 p.m.
Friday, 6 December 2019 – 9:00 a.m. to 5:00 p.m.
Saturday, 7 December 2019 – 9:00 a.m. to 1:00 p.m.
Monday, 9 December 2019 – 9:00 a.m. to 5:00 p.m.
Tuesday, 10 December 2019 – 9:00 a.m. to 5:00 p.m.
Wednesday, 11 December 2019 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 11 December 2019, the last day for application or such later time as described in the sub-section headed “9. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section below.

The application for the Public Offer will commence on Thursday, 5 December 2019 through Wednesday, 11 December 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 17 December 2019. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 18 December 2019.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Forms carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters, any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You should refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre 1/F
One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, Joint Bookrunners and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates⁽¹⁾:

Thursday, 5 December 2019 – 9:00 a.m. to 8:30 p.m.
Friday, 6 December 2019 – 8:00 a.m. to 8:30 p.m.
Saturday, 7 December 2019 – 8:00 a.m. to 1:00 p.m.
Monday, 9 December 2019 – 8:00 a.m. to 8:30 p.m.
Tuesday, 10 December 2019 – 8:00 a.m. to 8:30 p.m.
Wednesday, 11 December 2019 – 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 5 December 2019 until 12:00 noon on Wednesday, 11 December 2019 (24 hours daily, except on Wednesday, 11 December 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 11 December 2019, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 11 December 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Form have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR PUBLIC OFFER SHARES

9. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by The Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 11 December 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 11 December 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 17 December 2019 on the website of our Company at www.tlpile.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at www.tlpile.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Tuesday, 17 December 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult/) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 17 December 2019 to 12:00 midnight on Monday, 23 December 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 December 2019 to Friday, 20 December 2019 (excluding Saturday, Sunday and Hong Kong Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 17 December 2019 to Thursday, 19 December 2019 at all the receiving bank’s designated branches as set out in paragraph headed “Where to collect the Application Forms” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day in the following circumstances:

- (i) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer as set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 17 December 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, 17 December 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 18 December 2019, provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 December 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 17 December 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 17 December 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 17 December 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 December 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply by giving electronic application instructions to HKSCC via CCASS*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 17 December 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed

HOW TO APPLY FOR PUBLIC OFFER SHARES

“10. Publication of results” above on Tuesday, 17 December 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 December 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 17 December 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 17 December 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, 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 HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TAILAM TECH CONSTRUCTION HOLDINGS LIMITED AND SOUTH CHINA CAPITAL LIMITED

Introduction

We report on the historical financial information of Tailam Tech Construction Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-63, which comprises the consolidated balance sheets as at 31 December 2016, 2017 and 2018 and 30 June 2019, the balance sheet of the Company as at 30 June 2019, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 5 December 2019 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 and 3.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 and 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 30 June 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 2 and 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2018 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 2 and 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 2 and 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information states that no dividends have been paid by Tailam Tech Construction Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
5 December 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand RMB'000 except when otherwise indicated.

Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue	7	101,516	298,654	454,190	191,929	271,274
Cost of sales	8	(79,769)	(246,959)	(374,722)	(153,357)	(226,264)
Gross profit		21,747	51,695	79,468	38,572	45,010
Selling and marketing expenses	8	(976)	(2,350)	(3,401)	(1,094)	(1,404)
Administrative expenses	8	(5,429)	(10,494)	(26,626)	(9,758)	(19,134)
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	8	(848)	(2,023)	(398)	(237)	251
Other income	10	321	440	482	7	171
Other gains/(losses) – net	11	9	1,969	(437)	25	534
Operating profit		14,824	39,237	49,088	27,515	25,428
Finance costs – net	12	(1,535)	(1,726)	(1,970)	(1,051)	(1,175)
Profit before income tax		13,289	37,511	47,118	26,464	24,253
Income tax expense	13	(3,435)	(9,887)	(13,095)	(6,686)	(7,740)
Profit for the year/period		<u>9,854</u>	<u>27,624</u>	<u>34,023</u>	<u>19,778</u>	<u>16,513</u>
Profit attributable to:						
– Owners of the Company		9,441	26,461	31,297	18,356	16,167
– Non-controlling interests		413	1,163	2,726	1,422	346
		<u>9,854</u>	<u>27,624</u>	<u>34,023</u>	<u>19,778</u>	<u>16,513</u>
Earnings per share (expressed in RMB per share)						
– Basic and diluted	14	0.47	1.32	1.56	0.92	0.78
Profit for the year/period		9,854	27,624	34,023	19,778	16,513
Other comprehensive income						
– Currency translation differences		(4,483)	4,639	(3,248)	(1,587)	(297)
Total comprehensive income for the year/period		<u>5,371</u>	<u>32,263</u>	<u>30,775</u>	<u>18,191</u>	<u>16,216</u>
Total comprehensive income attributable to:						
– Owners of the Company		4,958	31,100	28,049	16,769	15,870
– Non-controlling interests		413	1,163	2,726	1,422	346
		<u>5,371</u>	<u>32,263</u>	<u>30,775</u>	<u>18,191</u>	<u>16,216</u>

Consolidated balance sheets

	Note	As at 31 December			As at 30 June
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	16	33,831	30,991	33,410	44,886
Intangible assets	17	30	11	155	138
Right-of-use assets	18	12,346	12,067	12,511	13,304
Deferred income tax assets	31	1,305	1,816	1,994	1,769
		<u>47,512</u>	<u>44,885</u>	<u>48,070</u>	<u>60,097</u>
Current assets					
Inventories	20	23,329	30,892	29,044	18,459
Trade and other receivables	21	41,050	84,025	138,505	141,680
Cash and cash equivalents	22	6,954	14,078	33,566	42,735
Restricted cash	23	–	2,000	1,410	3,000
		<u>71,333</u>	<u>130,995</u>	<u>202,525</u>	<u>205,874</u>
Total assets		<u><u>118,845</u></u>	<u><u>175,880</u></u>	<u><u>250,595</u></u>	<u><u>265,971</u></u>
Equity					
Equity attributable to owners of the Company					
Share capital	25	–	–	–	182
Share premium	25	–	–	–	87,697
Other reserves	26	2,414	9,841	13,833	(71,562)
(Accumulated losses)/retained earnings		(9,371)	14,302	41,913	58,080
		<u>(6,957)</u>	<u>24,143</u>	<u>55,746</u>	<u>74,397</u>
Non-controlling interests		<u>(1,759)</u>	<u>(640)</u>	<u>10,532</u>	<u>–</u>
Total (deficit)/equity		<u><u>(8,716)</u></u>	<u><u>23,503</u></u>	<u><u>66,278</u></u>	<u><u>74,397</u></u>
Liabilities					
Non-current liabilities					
Obligations under finance leases	27	508	–	–	–
Deferred income tax liabilities	31	–	106	–	–
Lease liabilities	24	–	–	–	257
		<u>508</u>	<u>106</u>	<u>–</u>	<u>257</u>
Current liabilities					
Trade and other payables	28	21,983	40,533	65,455	69,950
Loans from controlling shareholder	29	55,668	62,252	71,865	62,916
Loans from a shareholder of a subsidiary	29	13,874	12,966	–	–
Contract liabilities	7(b)	8,525	5,756	5,953	1,469
Current income tax liabilities		1,231	5,256	7,976	5,853
Borrowings	30	25,000	25,000	33,000	50,900
Obligations under finance leases	27	772	508	68	–
Lease liabilities	24	–	–	–	229
		<u>127,053</u>	<u>152,271</u>	<u>184,317</u>	<u>191,317</u>
Total liabilities		<u><u>127,561</u></u>	<u><u>152,377</u></u>	<u><u>184,317</u></u>	<u><u>191,574</u></u>
Total equity and liabilities		<u><u>118,845</u></u>	<u><u>175,880</u></u>	<u><u>250,595</u></u>	<u><u>265,971</u></u>

Balance sheet of the Company

The Company was set up on 7 March 2019. Balance sheet of the Company as at 30 June 2019 is presented below:

	<i>Note</i>	<u>As at 30 June</u> 2019 <i>RMB'000</i>
Assets		
Non-current assets		
Investment in a subsidiary	<i>15</i>	<u>70,725</u>
Non-current assets		
Amounts due from a subsidiary	<i>21</i>	<u>16,298</u>
Total assets		<u><u>87,023</u></u>
Equity		
Share capital	<i>25</i>	182
Share premium	<i>25</i>	87,697
Accumulated losses		<u>(1,130)</u>
Total equity		<u><u>86,749</u></u>
Current liabilities		
Other payables		<u>274</u>
Total equity and liabilities		<u><u>87,023</u></u>

Consolidated statements of changes in equity

Note	Attributable to owners of the Company					
	Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total	Non- controlling interests	Total (deficit)/ equity
Balance at 1 January 2016	-	5,907	(17,822)	(11,915)	(2,172)	(14,087)
Comprehensive income						
Profit for the year	-	-	9,441	9,441	413	9,854
Other comprehensive income						
Currency translation differences	-	(4,483)	-	(4,483)	-	(4,483)
Total comprehensive income	-	(4,483)	9,441	4,958	413	5,371
Transactions with owners of the Company						
Appropriation to statutory reserves	-	990	(990)	-	-	-
Balance at 31 December 2016	-	2,414	(9,371)	(6,957)	(1,759)	(8,716)
Balance at 1 January 2017	-	2,414	(9,371)	(6,957)	(1,759)	(8,716)
Comprehensive income						
Profit for the year	-	-	26,461	26,461	1,163	27,624
Other comprehensive income						
Currency translation differences	-	4,639	-	4,639	-	4,639
Total comprehensive income	-	4,639	26,461	31,100	1,163	32,263
Transactions with owners of the Company						
Dividend paid	32	-	-	-	(44)	(44)
Appropriation to statutory reserves	-	2,788	(2,788)	-	-	-
	-	2,788	(2,788)	-	(44)	(44)
Balance at 31 December 2017	-	9,841	14,302	24,143	(640)	23,503

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000		
Balance at 1 January 2019		-	-	13,833	41,913	55,746	10,532	66,278
Comprehensive income								
Profit for the period		-	-	-	16,167	16,167	346	16,513
Other comprehensive income								
Currency translation differences		-	-	(297)	-	(297)	-	(297)
Total comprehensive income		-	-	(297)	16,167	15,870	346	16,216
Transactions with owners of the Company								
Repurchase of shares from non-controlling interests	35(b)	-	-	(14,373)	-	(14,373)	(10,878)	(25,251)
Incorporation of the Company	1.2(d)	-*	-	-	-	-	-	-
Effect of the Reorganisation		170	70,555	(70,725)	-	-	-	-
Capital contribution from a Pre-IPO investor		12	17,142	-	-	17,154	-	17,154
		182	87,697	(85,098)	-	2,781	(10,878)	(8,097)
Balance at 30 June 2019		182	87,697	(71,562)	58,080	74,397	-	74,397
(Unaudited)								
Balance at 1 January 2018		-	-	9,841	14,302	24,143	(640)	23,503
Comprehensive income								
Profit for the period		-	-	-	18,356	18,356	1,422	19,778
Other comprehensive income								
Currency translation differences		-	-	(1,587)	-	(1,587)	-	(1,587)
Total comprehensive income		-	-	(1,587)	18,356	16,769	1,422	18,191
Transactions with owners of the Company								
Capital injection from non-controlling interests	35(a)	-	-	3,554	-	3,554	8,446	12,000
		-	-	3,554	-	3,554	8,446	12,000
Balance at 30 June 2018		-	-	11,808	32,658	44,466	9,228	53,694

* The amount is less than RMB1,000.

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Operating activities						
Cash generated from operating activities	33	14,709	7,726	30,665	11,800	28,501
Income tax paid		(879)	(6,267)	(10,553)	(6,056)	(9,638)
Net cash generated from operating activities		13,830	1,459	20,112	5,744	18,863
Investing activities						
Purchase of property, plant and equipment		(1,465)	(1,907)	(6,736)	(577)	(7,642)
Purchase of intangible assets		(17)	-	(157)	-	-
Purchase of land use rights		-	-	(732)	-	-
Proceeds from disposal of property, plant and equipment		-	-	55	55	-
Net cash used in investing activities		(1,482)	(1,907)	(7,570)	(522)	(7,642)
Financing activities						
Receipt of loans from controlling shareholder		20,370	10,400	5,225	3,000	1,069
Repayment of loans to controlling shareholder		(32,843)	(328)	(11,860)	(11,840)	(10,266)
Receipt of loans from a shareholder of a subsidiary		1,826	-	-	-	-
Repayment of loans to a shareholder of a subsidiary		(1,455)	-	(23)	-	-
Professional expenses paid in connection with the issuance of new shares during the listing process		-	-	(3,725)	-	(1,174)
Proceeds from bank borrowings		25,000	25,000	42,000	9,000	25,900
Repayments of bank borrowings		(18,000)	(25,000)	(34,000)	-	(8,000)
Receipt of sale and lease back of property, plant and equipment		1,600	-	-	-	-
Repayment of obligations under finance leases		(720)	(772)	(386)	(316)	(68)
Capital injection from non-controlling interests	35(a)	-	-	12,000	12,000	-
Dividend paid		-	-	(44)	(44)	-
Interest paid		(1,552)	(1,737)	(2,215)	(1,085)	(1,215)
Capital contribution from a Pre-IPO investor of the Company	25	-	-	-	-	17,154
Repurchase of shares from non-controlling interests	35(b)	-	-	-	-	(25,251)
Lease payments (including interest paid)		-	-	-	-	(189)
Net cash (used in)/generated from financing activities		(5,774)	7,563	6,972	10,715	(2,040)
Net increase in cash and cash equivalents		6,574	7,115	19,514	15,937	9,181
Cash and cash equivalents at beginning of the year/period		383	6,954	14,078	14,078	33,566
Effect of exchange rate changes on cash and cash equivalents		(3)	9	(26)	(1)	(12)
Cash and cash equivalents at end of the year/period		6,954	14,078	33,566	30,014	42,735

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION AND REORGANISATION****1.1 General information**

The Company was incorporated in the Cayman Islands on 7 March 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the "PHC piles") and commercial concrete (the "Listing Business") in the People's Republic of China (the "PRC").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation"), the Listing Business was principally operated in the PRC by Jiangsu Tailam Construction Co., Ltd. (formerly known as Jiangsu Tailam Co., Ltd.) ("Jiangsu Tailam"), which was a non-wholly owned subsidiary of Tailam Group Holdings Limited ("Tailam Hong Kong"). Tailam Hong Kong is an investment holding company incorporated in Hong Kong controlled by Ms. Wong Han Yu Alice ("Ms. Wong"), the controlling shareholder, throughout the Track Record Period.

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganisation was undertaken pursuant to which Tailam Hong Kong and its subsidiaries were transferred from Ms. Wong to the Group by way of the following steps:

- (a) On 17 September 2018, Jiangsu Tailam was delisted from NEEQ. After delisting from the NEEQ, Jiangsu Tailam undertook a capital reduction by repurchasing 2,208,333 shares and 2,000,000 shares from Shenzhen Rongxin Investment Management Co., Ltd. and an independent individual at consideration of RMB13,249,998 and RMB12,000,000 respectively. Tailam Hong Kong became the only shareholder of Jiangsu Tailam when the capital reduction was completed on 25 January 2019 and Jiangsu Tailam was converted into a wholly foreign owned enterprise.
- (b) On 4 September 2018, the members and board of directors of Tailam Hong Kong resolved the sub-division of each ordinary share in the issued share capital of Tailam Hong Kong into 100 ordinary shares. Accordingly, Tailam Hong Kong allotted and issued a total of 9,900,000 ordinary shares to the then existing shareholders. 7,900,200 ordinary shares, 831,600 ordinary shares, 300,960 ordinary shares, 99,000 ordinary shares, 99,000 ordinary shares and 669,240 ordinary shares were issued to Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja, respectively.
- (c) On 5 September 2018, the third party individual Mr. Lam Ting Tung transferred his entire equity interest in Tailam Hong Kong to Ms. Wong at a consideration of RMB15,900,000. Ms. Wong's uncle, Mr. Wang Liangmin transferred his entire equity interest in Tailam Hong Kong to his son Mr. Wang Chao Hong at a consideration of HK\$8,400, and on 16 October 2018, the third party individual Mr. Andre Widjaja transferred his entire equity interest in Tailam Hong Kong to his sister Ms. Grace Widjaja without consideration.

- (d) On 7 March 2019, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one share was allotted to an initial subscriber as fully paid at par value of HK\$0.01. On the same date, the initial subscriber transferred its one share to Ms. Wong. The Company further allotted and issued 7,979 shares, 840 shares, 304 shares, 100 shares and 676 shares to the investment holding companies owned by Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja (collectively, the “Allottees”), respectively, at a consideration of HK\$0.01 for each share. Upon the completion of such share transfer and allotments, the Company was beneficially owned by Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja as to 79.8%, 8.4%, 3.04%, 1%, 1% and 6.76%, respectively.
- (e) On 15 March 2019, Tailam Investment Holdings Limited (“**Tailam Investment Holdings**”) was incorporated in the British Virgin Islands (the “**BVI**”) with an authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1 each. Upon incorporation, one share was allotted and issued to an initial subscriber at par value of USD1 as fully paid, which was transferred to the Company on the same date at the same consideration. Tailam Investment Holdings was then wholly owned by the Company.
- (f) On 21 March 2019, Tailam Investment Holdings acquired the entire equity interest of Tailam Hong Kong from Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja, with the consideration being satisfied by the Company allotting and issuing an aggregate of 19,990,000 shares to the Allottees as described in (d) above.

After the completion of the Reorganisation, the Company became the holding company of the Group. As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 15.

2 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by Jiangsu Tailam which is controlled by Ms. Wong. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the consolidated financial information of the Group have been prepared and presented using the carrying values of the assets, liabilities and operating results of the Listing Business for the Track Record Period.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies now comprising the Group are eliminated on consolidation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA as set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 5.

Application of HKFRS 9 and HKFRS 15

HKFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for reporting periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for reporting periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has elected to apply HKFRS 9 and HKFRS 15 consistently in the preparation of the Historical Financial Information throughout the Track Record Period.

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

		Effective for reporting periods beginning on or after
HKFRS 17 ⁽ⁱⁱ⁾	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28 ⁽ⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual framework for financial reporting 2018 ⁽ⁱⁱ⁾	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8 ⁽ⁱⁱ⁾	Definition of Material	1 January 2020
Amendments to HKFRS 3 ⁽ⁱⁱ⁾	Definition of a Business	1 January 2020

(i) Changes in accounting policy

HKFRS 16 "Leases"

The Group is a lessee of properties and transportation equipment which were classified as operating leases in the past. As at 31 December 2016, 2017 and 2018, the Group had non-cancellable operating lease commitments of approximately nil, nil and RMB1,046,000 respectively, which were not reflected in the consolidated balance sheets. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside the balance sheets. Instead, operating leases must be recognised in the form of an asset (for the right of use) and a lease liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempted from the recognition. The new standard will therefore result in an increase in assets and liabilities in the consolidated balance sheets. As for the financial impact on profit or loss, the operating lease expense will decrease, while depreciation and amortisation and the interest expense will increase.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the years ended 31 December 2016, 2017 and 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

Upon adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.61%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

	As at
	1 January 2019
	<i>RMB'000</i>
Operating lease commitments at 31 December 2018	1,046
(Less): short-term leases recognised on a straight-line basis as expense	<u>(279)</u>
	<u>767</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>654</u>
Lease liabilities recognised as at 1 January 2019	<u>654</u>
Of which:	
Current lease liabilities	397
Non-current lease liabilities	<u>257</u>
	<u>654</u>

The right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at
	1 January 2019
	<i>RMB'000</i>
Lang use right	12,511
Transportation equipment	1,170
Properties	<u>54</u>
Total right-of-use assets	<u>13,735</u>

The change in accounting policy affected the following items on the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB13,735,000
- prepayments – decrease by RMB52,000
- lease liabilities – increase by RMB654,000

The net impact on retained earnings on 1 January 2019 was nil.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(FRIC) 4 “*Determining whether an Arrangement contains a Lease*”.

- (ii) The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

3.2 Subsidiaries

3.2.1 Consolidation

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

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

3.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within “other gains/(losses) – net”.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities are translated at the closing rate at the date of each balance sheet;
- ii. income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii. all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Buildings	20 years
–	Transportation equipment	4 years
–	Office equipment	5 years
–	Machinery	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

3.6 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

3.7 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments, which are amortised over the lease terms of 50 years using the straight-line method.

3.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

3.9.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 19 for details about each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.9.2 *Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or gains on reversal of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income.

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as "other income – net" when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in "fair value gains on financial assets at fair value through profit or loss" in profit or loss as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.

3.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Trade, notes and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, notes and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

3.13 Contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods to the customer. The combination of those rights and obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligation. Contract liabilities are recognised for goods to be transferred to customers represented by the excess of consideration received from the customers according to agreed customer billing schedules over cumulative revenue recognised.

3.14 Cash and cash equivalents, restricted cash

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks. Bank deposits which are restricted to use are included in "restricted cash" on the consolidated balance sheets.

3.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

3.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

3.18 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 **Employee benefits**

(a) *Pension obligations*

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Housing benefits*

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(d) *Employee leave entitlements*

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 balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3.20 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.21 Revenue recognition

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue from sales of commercial concrete and PHC piles

Revenue from sales of commercial concrete and PHC piles are recognised at a point in time, when a group entity has delivered the goods to the customer; the customer has accepted the goods; the Group has present right to payment and the collection of the consideration is probable.

3.22 Interest income

Interest income is recognised using the effective interest method.

3.23 Leases

The Group is the lessee

Policy applicable before 1 January 2019

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Policy applicable from 1 January 2019

The Group leases properties and transportation equipment. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amounts of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and loans from controlling shareholder and a shareholder of a subsidiary denominated in United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in USD. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The majority of the subsidiaries of the Group operate in the PRC and most of their transactions are denominated in RMB. The Group did not have other significant exposure to foreign exchange risk.

4.1.2 Interest rate risk

The Group's interest rate risk arises from restricted cash, cash and cash equivalents and bank borrowings. Bank balances carried at prevailing market interest rate expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates exposes the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

If interest rates on bank borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest expenses for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 would increase or decrease by RMB250,000, RMB250,000, RMB336,000, RMB166,000 and RMB191,400 respectively.

4.1.3 Credit risk

The Group is exposed to credit risk in relation to its trade, notes and other receivables and cash deposits with banks.

The carrying amounts of trade, notes and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

While the cash and cash equivalents and notes receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

For trade receivables, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. See Note 21 for further disclosure on credit risk.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The expected loss rates are based on the payment profiles of the Group and the historical credit losses experienced, there is no significant change to the payment profiles during the Track Record Period.

The Group also considers the GDP rate in China as the most relevant current and forward looking macroeconomic data in determining the expected loss rates, the adjustments are insignificant as the GDP rate remained stable during the Track Record Period and no significant fluctuation is expected.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the loss allowance provision for trade receivables was determined as follows:

Trade receivables	Within 1 month	1 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Individual assessment	Total
As at 31 December 2016							
Expected loss rate	1%	3%	13%	40%	100%	100%	
Gross carrying amount (RMB'000)	10,700	14,052	9,830	1,050	–	–	35,632
Lifetime ECL (RMB'000)	(107)	(422)	(1,278)	(419)	–	–	(2,226)
Net carrying amount	10,593	13,630	8,552	631	–	–	33,406
As at 31 December 2017							
Expected loss rate	1%	3%	13%	40%	100%	100%	
Gross carrying amount (RMB'000)	38,584	33,510	2,756	3,225	591	–	78,666
Lifetime ECL (RMB'000)	(386)	(1,005)	(358)	(1,291)	(591)	–	(3,631)
Net carrying amount	38,198	32,505	2,398	1,934	–	–	75,035
As at 31 December 2018							
Expected loss rate	1%	3%	13%	40%	100%	100%	
Gross carrying amount (RMB'000)	65,025	54,506	1,984	2,162	380	–	124,057
Lifetime ECL (RMB'000)	(650)	(1,635)	(258)	(866)	(380)	–	(3,789)
Net carrying amount	64,375	52,871	1,726	1,296	–	–	120,268
As at 30 June 2019							
Expected loss rate	1%	3%	13%	40%	100%	100%	
Gross carrying amount (RMB'000)	70,228	56,241	212	1,000	31	–	127,712
Lifetime ECL (RMB'000)	(703)	(1,687)	(28)	(400)	(31)	–	(2,849)
Net carrying amount	69,525	54,554	184	600	–	–	124,863

Other receivables

Other receivables at the end of each reporting period were mainly rental and other deposits. The directors of the Company consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

The directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of other receivables.

4.1.4 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short term and long-term borrowings, to meet its daily operation and working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months from the balance sheet date equal to their carrying amounts in the balance sheet, as the impact of discount should not be significant.

	Less than 1 year	Between 1 and 2 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2016			
Borrowings	25,000	–	25,000
Trade and other payables (*)	17,556	–	17,556
Loans from controlling shareholder	55,668	–	55,668
Loans from a shareholder of a subsidiary	13,874	–	13,874
Obligations under finance leases	772	508	1,280
	<u>112,870</u>	<u>508</u>	<u>113,378</u>
As at 31 December 2017			
Borrowings	25,000	–	25,000
Trade and other payables (*)	35,403	–	35,403
Loans from controlling shareholder	62,252	–	62,252
Loans from a shareholder of a subsidiary	12,966	–	12,966
Obligations under finance leases	508	–	508
	<u>136,129</u>	<u>–</u>	<u>136,129</u>
As at 31 December 2018			
Borrowings	33,000	–	33,000
Trade and other payables (*)	59,741	–	59,741
Loans from controlling shareholder	71,865	–	71,865
Obligations under finance leases	71	–	71
	<u>164,677</u>	<u>–</u>	<u>164,677</u>
As at 30 June 2019			
Borrowings	50,900	–	50,900
Lease liabilities	486	–	486
Trade and other payables (*)	65,308	–	65,308
Loans from controlling shareholder	62,916	–	62,916
	<u>179,610</u>	<u>–</u>	<u>179,610</u>

* Excluding other tax payables and accrued payroll

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheets. Net borrowings are calculated as total borrowings less total of cash and cash equivalents and restricted cash.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	25,000	25,000	33,000	50,900
Lease liabilities	–	–	–	486
Loans from controlling shareholder	55,668	62,252	71,865	62,916
Loans from a shareholder of a subsidiary	13,874	12,966	–	–
Less: cash and cash equivalents	(6,954)	(14,078)	(33,566)	(42,735)
Less: restricted cash	–	(2,000)	(1,410)	(3,000)
Net debt	87,588	84,140	69,889	68,567
Total (deficit)/equity	(8,716)	23,503	66,278	74,397
Gearing ratio	N/A	358%	105%	92%

The gearing ratios were keeping at a high level as at 31 December 2016, 2017 and 2018 and 30 June 2019, as the Group's business expanded rapidly during the Track Record Period, which was mainly financed by bank borrowings and loans from controlling shareholder and a shareholder of a subsidiary.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Expected credit loss for receivables

The impairment provisions for trade and other receivables are based on assumptions about the expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in Note 21.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC and profits tax in Hong Kong. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the manufacturing and sale of commercial concrete and PHC piles in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment. A measure of segment assets and liabilities is not disclosed as such measure is not regularly provided to the CODM.

The major operating entity of the Group is domiciled in the PRC. All of the Group's revenue are derived in the PRC.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, all of the non-current assets were located in the PRC.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The Group derived its revenue from the transfer of goods at point in time of the following major products:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
PHC piles (i)	53,701	158,799	233,318	130,138	113,376
Commercial concrete	47,815	139,855	220,872	61,791	157,898
	<u>101,516</u>	<u>298,654</u>	<u>454,190</u>	<u>191,929</u>	<u>271,274</u>

(i) It is inclusive of revenue from square pile, which is insignificant during the Track Record Period.

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>8,525</u>	<u>5,756</u>	<u>5,953</u>	<u>1,469</u>

12 FINANCE COSTS – NET

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance income:					
– Interest income from bank deposits	17	11	245	34	61
Finance costs:					
– Interest expenses on bank borrowings	(1,417)	(1,654)	(2,189)	(1,074)	(1,211)
– Interest expense on leases	(135)	(83)	(26)	(11)	(25)
	(1,552)	(1,737)	(2,215)	(1,085)	(1,236)
	(1,535)	(1,726)	(1,970)	(1,051)	(1,175)

13 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax					
– PRC corporate income tax	2,110	10,292	13,273	6,711	7,515
– PRC withholding income tax	–	–	106	–	–
	2,110	10,292	13,379	6,711	7,515
Deferred income tax (Note 31)					
– PRC corporate income tax	1,325	(511)	(178)	(25)	225
– PRC withholding income tax	–	106	(106)	–	–
	1,325	(405)	(284)	(25)	225
	3,435	9,887	13,095	6,686	7,740

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before income tax	13,289	37,511	47,118	26,464	24,253
Tax calculated at domestic tax rates applicable to profits of the respective group entities	3,325	9,390	12,020	6,621	6,746
Tax effects of:					
– Expenses not deductible for tax purposes	103	366	1,015	58	931
– Tax losses for which no deferred income tax asset was recognised	7	25	60	7	63
	3,435	9,781	13,095	6,686	7,740
PRC withholding income tax on dividends	–	106	–	–	–
	3,435	9,887	13,095	6,686	7,740

The effective income tax rate was 26%, 26% and 28%, 25% and 32% for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

PRC corporate income tax

Income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practises in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law").

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements under the tax treaty arrangement between the PRC and Hong Kong.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, deferred tax liabilities of RMB730,000, RMB3,134,000, RMB6,482,000 and RMB8,718,000 respectively have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are expected to be retained by the PRC subsidiaries for reinvestment purpose and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

14 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year/period, it has not taken into account the proposed capitalisation issue of 299,600,000 shares pursuant to the resolution in writing of the shareholders passed on 5 November 2019, because the proposed capitalisation issue has not become effective as of the date of this report:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>(Unaudited)</i>				
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	9,441	26,461	31,297	18,356	16,167
Weighted average number of shares in issue (in thousands)	20,000	20,000	20,000	20,000	20,800
Basic earnings per share for profit attributable to shareholders of the Company during the year/period (expressed in RMB per share)	0.47	1.32	1.56	0.92	0.78

The Company did not have any potential ordinary shares outstanding during the Track Record Period, diluted earnings per share is equal to basic earnings per share.

15 SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2016, 2017 and 2018 and 30 June 2019 and up to the date of this report:

Company name	Place and date of incorporation/ establishment	Issued/ paid-up capital	Attributable equity interest of the Group as at 31 December 2016	Attributable equity interest of the Group as at 31 December 2017	Attributable equity interest of the Group as at 31 December 2018	Attributable equity interest of the Group as at 30 June 2019	Principal activities and place of operation	Name of statutory auditors and periods covered
Directly owned:								
Tailam Investment Holdings	BVI, 15 March 2019	USD50,000	N/A	N/A	N/A	100%	Investment holding	N/A
Indirectly owned:								
Tailam Hong Kong ^(a)	Hong Kong, 21 August 2014	HK\$100,000	100%	100%	100%	100%	Investment holding in Hong Kong	Billy Shek & Co., for the years ended 31 December 2016 and 2017
Jiangsu Tailam ^(a)	The PRC, 29 June 2011	RMB55,000,000	95.83%	95.83%	92.35%	100%	Manufacturing and sale of commercial concrete and PHC piles in the PRC	Zhongxingcai Guanghua Certified Public Accountants LLP, for the years ended 31 December 2016 and 2017
Jiangsu Hongji Zhaoye Investment Company Limited ("Hongji Zhaoye") ^(c)	The PRC, 9 February 2018	RMB50,000,000	N/A	N/A	100%	N/A	Dormant in the PRC	N/A

* *The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*

- (a) No statutory audited financial statements of these subsidiaries have been issued for the year ended 31 December 2018.
- (b) The Group conducts substantially all its business in the PRC through Jiangsu Tailam, a major non-wholly owned subsidiary of the Group. The directors of the Company are of the view that the Historical Financial Information reflects substantially the financial performance and position of Jiangsu Tailam during the Track Record Period, therefore no separate disclosure of the summarised financial information of Jiangsu Tailam has been made.
- (c) Hongji Zhaoye was deregistered on 19 February 2019.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2016						
Cost	15,458	423	169	29,430	–	45,480
Accumulated depreciation	(2,053)	(255)	(54)	(6,905)	–	(9,267)
Net book amount	13,405	168	115	22,525	–	36,213
Year ended 31 December 2016						
Opening net book amount	13,405	168	115	22,525	–	36,213
Additions	–	512	27	926	–	1,465
Depreciation charge	(737)	(172)	(33)	(2,905)	–	(3,847)
Closing net book amount	12,668	508	109	20,546	–	33,831
As at 31 December 2016						
Cost	15,458	935	196	30,356	–	46,945
Accumulated depreciation	(2,790)	(427)	(87)	(9,810)	–	(13,114)
Net book amount	12,668	508	109	20,546	–	33,831
Year ended 31 December 2017						
Opening net book amount	12,668	508	109	20,546	–	33,831
Additions	–	211	198	1,337	161	1,907
Impairment loss	–	–	–	(771)	–	(771)
Depreciation charge	(735)	(263)	(53)	(2,925)	–	(3,976)
Closing net book amount	11,933	456	254	18,187	161	30,991
As at 31 December 2017						
Cost	15,458	1,146	394	31,693	161	48,852
Accumulated depreciation	(3,525)	(690)	(140)	(12,735)	–	(17,090)
Accumulated impairment	–	–	–	(771)	–	(771)
Net book amount	11,933	456	254	18,187	161	30,991
Year ended 31 December 2018						
Opening net book amount	11,933	456	254	18,187	161	30,991
Additions	–	592	135	3,042	3,313	7,082
Transfers	216	–	–	–	(216)	–
Disposals	(515)	–	–	(80)	–	(595)
Depreciation charge	(730)	(244)	(83)	(3,011)	–	(4,068)
Closing net book amount	10,904	804	306	18,138	3,258	33,410
As at 31 December 2018						
Cost	14,980	1,739	529	34,196	3,258	54,702
Accumulated depreciation	(4,076)	(935)	(223)	(15,287)	–	(20,521)
Accumulated impairment	–	–	–	(771)	–	(771)
Net book amount	10,904	804	306	18,138	3,258	33,410

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2019						
Opening net book amount	10,904	804	306	18,138	3,258	33,410
Additions	–	–	239	512	13,369	14,120
Transfers	–	(518)	–	1,399	(1,399)	(518)
Depreciation charge	(357)	(86)	(47)	(1,636)	–	(2,126)
Closing net book amount	10,547	200	498	18,413	15,228	44,886
As at 30 June 2019						
Cost	14,980	1,148	768	34,742	15,228	66,866
Accumulated depreciation	(4,433)	(948)	(270)	(16,329)	–	(21,980)
Accumulated impairment	–	–	–	–	–	–
Net book amount	10,547	200	498	18,413	15,228	44,886
(Unaudited)						
Six months ended 30 June 2018						
Opening net book amount	11,933	456	254	18,187	161	30,991
Additions	–	346	34	655	60	1,095
Disposals	–	–	–	(80)	–	(80)
Depreciation charge	(368)	(164)	(38)	(1,497)	–	(2,067)
Closing net book amount	11,565	638	250	17,265	221	29,939
As at 30 June 2018						
Cost	15,458	1,492	428	32,268	221	49,867
Accumulated depreciation	(3,893)	(854)	(178)	(14,232)	–	(19,157)
Accumulated impairment	–	–	–	(771)	–	(771)
Net book amount	11,565	638	250	17,265	221	29,939

Depreciation expenses were charged to the following categories of expenses:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	3,705	3,724	3,614	1,797	1,910
Administrative expenses	142	252	404	245	191
Selling and marketing expenses	–	–	50	25	25
	3,847	3,976	4,068	2,067	2,126

(Unaudited)

Construction in progress mainly comprises buildings under construction in the PRC.

- (a) As at 31 December 2016, 2017 and 2018 and 30 June 2019, buildings of RMB6,345,000, RMB5,982,000, RMB5,619,000 and RMB5,437,000 respectively were pledged as collateral for the Group's borrowings (Note 30).

As at 31 December 2016, 2017 and 2018 and 30 June 2019, construction in progress of nil, nil, nil and RMB 14,967,000 respectively were pledged as collateral for the Group's borrowings (Note 30).

- (b) As at 31 December 2016, 2017 and 2018 and 30 June 2019, the ownership certificate was not obtained for the Group's buildings with a net carrying value of RMB758,000, RMB714,000, RMB163,000 and RMB158,000 respectively, and the vehicle license for the Group's transportation equipment was held by Ms. Wong on behalf of the Group with a net carrying value of RMB432,000, RMB280,000, RMB158,000 and RMB137,000 respectively. Management is of the view that the aforesaid matters do not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

- (c) Leased assets

Machinery includes the following amount where the Group is a lessee under finance leases (refer to Note 27 for further details):

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	2,948	2,948	–
Accumulated depreciation	(1,061)	(1,342)	–
Net book amount	<u>1,887</u>	<u>1,606</u>	<u>–</u>

Vehicle includes the following amount where the Group is a lessee under a finance lease (refer to Note 27 for further details):

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	–	–	591
Accumulated depreciation	–	–	(73)
Net book amount	<u>–</u>	<u>–</u>	<u>518</u>

17 INTANGIBLE ASSETS

	Computer software
	<i>RMB'000</i>
As at 1 January 2016	
Cost	94
Accumulated amortisation	<u>(60)</u>
Net book amount	<u><u>34</u></u>
Year ended 31 December 2016	
Opening net book amount	34
Additions	17
Amortisation	<u>(21)</u>
Closing net book amount	<u>30</u>
As at 31 December 2016	
Cost	111
Accumulated amortisation	<u>(81)</u>
Net book amount	<u><u>30</u></u>
Year ended 31 December 2017	
Opening net book amount	30
Amortisation	<u>(19)</u>
Closing net book amount	<u>11</u>
As at 31 December 2017	
Cost	111
Accumulated amortisation	<u>(100)</u>
Net book amount	<u><u>11</u></u>
Year ended 31 December 2018	
Opening net book amount	11
Additions	157
Amortisation	<u>(13)</u>
Closing net book amount	<u>155</u>
As at 31 December 2018	
Cost	268
Accumulated amortisation	<u>(113)</u>
Net book amount	<u><u>155</u></u>

	Computer software
	<i>RMB'000</i>
Six months ended 30 June 2019	
Opening net book amount	155
Amortisation	<u>(17)</u>
Closing net book amount	<u><u>138</u></u>
As at 30 June 2019	
Cost	268
Accumulated amortisation	<u>(130)</u>
Net book amount	<u><u>138</u></u>
(Unaudited)	
Six months ended 30 June 2018	
Opening net book amount	11
Amortisation	<u>(2)</u>
Closing net book amount	<u><u>9</u></u>
As at 30 June 2018	
Cost	111
Accumulated amortisation	<u>(102)</u>
Net book amount	<u><u>9</u></u>

Amortisation of intangible assets has been charged to profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	<u>21</u>	<u>19</u>	<u>13</u>	<u>2</u>	<u>17</u>

(Unaudited)

18 RIGHT-OF-USE ASSETS

	Land use rights	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2016			
Cost	13,697	–	13,697
Accumulated amortisation	(1,071)	–	(1,071)
Net book amount	<u>12,626</u>	<u>–</u>	<u>12,626</u>
Year ended 31 December 2016			
Opening net book amount	12,626	–	12,626
Amortisation	(280)	–	(280)
Closing net book amount	<u>12,346</u>	<u>–</u>	<u>12,346</u>
As at 31 December 2016			
Cost	13,697	–	13,697
Accumulated amortisation	(1,351)	–	(1,351)
Net book amount	<u>12,346</u>	<u>–</u>	<u>12,346</u>
Year ended 31 December 2017			
Opening net book amount	12,346	–	12,346
Amortisation	(279)	–	(279)
Closing net book amount	<u>12,067</u>	<u>–</u>	<u>12,067</u>
As at 31 December 2017			
Cost	13,697	–	13,697
Accumulated amortisation	(1,630)	–	(1,630)
Net book amount	<u>12,067</u>	<u>–</u>	<u>12,067</u>
Year ended 31 December 2018			
Opening net book amount	12,067	–	12,067
Additions	732	–	732
Amortisation	(288)	–	(288)
Closing net book amount	<u>12,511</u>	<u>–</u>	<u>12,511</u>
As at 31 December 2018			
Cost	14,429	–	14,429
Accumulated amortisation	(1,918)	–	(1,918)
Net book amount	<u>12,511</u>	<u>–</u>	<u>12,511</u>

	Land use rights	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2019			
Opening net book amount	12,511	–	12,511
Additions	–	706	706
Transfer	–	518	518
Amortisation	(147)	(284)	(431)
Closing net book amount	12,364	940	13,304
As at 30 June 2019			
Cost	14,429	1,224	15,653
Accumulated amortisation	(2,065)	(284)	(2,349)
Net book amount	12,364	940	13,304
(Unaudited)			
Six months ended 30 June 2018			
Opening net book amount	12,067	–	12,067
Amortisation	(140)	–	(140)
Closing net book amount	11,927	–	11,927
As at 30 June 2018			
Cost	13,697	–	13,697
Accumulated amortisation	(1,770)	–	(1,770)
Net book amount	11,927	–	11,927

Amortisation of land use rights has been charged to profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	280	279	288	140	431

- (a) As at 31 December 2016, 2017 and 2018 and 30 June 2019, land use rights of RMB12,346,000, RMB12,067,000, RMB11,787,000 and RMB12,364,000 respectively was pledged as collateral for the Group's borrowings (Note 30).

19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Financial assets at amortized cost				
Trade and other receivables (excluding prepayments)	36,365	77,082	127,622	134,937
Cash and cash equivalents	6,954	14,078	33,566	42,735
Restricted cash	–	2,000	1,410	3,000
	<u>43,319</u>	<u>93,160</u>	<u>162,598</u>	<u>180,672</u>
Financial liabilities at amortised cost				
Borrowings	25,000	25,000	33,000	50,900
Lease liabilities	–	–	–	486
Trade and other payables (excluding other tax payables and accrued payroll)	17,556	35,403	59,741	65,308
Loans from controlling shareholder	55,668	62,252	71,865	62,916
Loans from a shareholder of a subsidiary	13,874	12,966	–	–
Obligations under finance leases	1,280	508	68	–
	<u>113,378</u>	<u>136,129</u>	<u>164,674</u>	<u>179,610</u>

20 INVENTORIES

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Raw materials	4,589	9,835	11,346	11,461
Finished goods	18,876	21,164	17,698	6,998
Less: allowance for impairment (<i>Note (b)</i>)	(136)	(107)	–	–
	<u>23,329</u>	<u>30,892</u>	<u>29,044</u>	<u>18,459</u>

- (a) During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, the cost of the Group's inventories recognised as an expense and included in cost of sales amounted to RMB64,891,000, RMB223,286,000, RMB338,178,000, RMB139,685,000 and RMB206,838,000, included in administrative expenses amounted to nil, nil, RMB9,982,000, RMB4,552,000 and RMB5,437,000, respectively (*Note 8*), which was used for research and development purpose.

During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, there were no write-down of inventories.

- (b) Due to an increase in estimated selling price as at 31 December 2016, a reversal of impairment was made accordingly.

21 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Trade receivables (<i>Note (a)</i>)				
– Third parties	35,632	78,666	124,057	127,712
Less: allowance for impairment of trade receivables	(2,226)	(3,631)	(3,789)	(2,849)
	<u>33,406</u>	<u>75,035</u>	<u>120,268</u>	<u>124,863</u>
Other receivables				
– Third parties	2,261	1,073	823	915
Less: allowance for impairment of other receivables	(58)	(76)	(81)	(101)
	<u>2,203</u>	<u>997</u>	<u>742</u>	<u>814</u>
Prepayments				
– Third parties	4,685	6,943	10,883	6,743
Notes receivables				
– Third parties	756	1,050	6,612	9,260
	<u>41,050</u>	<u>84,025</u>	<u>138,505</u>	<u>141,680</u>

(a) Trade receivables are arisen from sales of goods and are denominated in RMB. Trade receivables in respect of sale of goods are settled in accordance with the terms stipulated in the sales contracts. The settlement method of trade receivables granted by the Group are generally divided into three categories:

- (i) Monthly settlement based on an agreed percentage of goods delivered, and the remaining balance will be settled after the completion of the superstructure of the customer's project;
- (ii) Settlement from strategic customers when the goods cumulatively delivered exceed an agreed amount; and
- (iii) Settlement based on the goods delivered.

An ageing analysis of trade receivables as at 31 December 2016, 2017 and 2018 and 30 June 2019 based on invoice date is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Within 1 month	10,700	38,584	65,025	70,228
1 to 6 months	14,052	33,510	54,506	56,241
6 months to 1 year	9,830	2,756	1,984	212
1 to 2 years	1,050	3,225	2,162	1,000
Over 2 years	–	591	380	31
	<u>35,632</u>	<u>78,666</u>	<u>124,057</u>	<u>127,712</u>

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of trade receivables to measure the expected credit losses. During the Track Record Period, the expected credit loss rates are determined according to the provision matrix as follows:

Within 1 month	1%
1 to 6 months	3%
6 months to 1 year	13%
1 to 2 years	40%
Over 2 years	100%

Since the actual loss rates for each type of trade receivables and the adjustments for forward looking macroeconomic data did not have significant change during the Track Record Period, the directors of the Company consider that the change in the expected credit loss rates for the provision matrix is insignificant throughout the Track Record Period.

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At the beginning of the year/period	1,186	2,226	3,631	3,789
Provision for/(reversal of) impairment recognised during the year/period	1,082	2,005	393	(271)
Receivables written off during the year/period as uncollectable	(42)	(600)	(235)	(669)
At the end of the year/period	<u>2,226</u>	<u>3,631</u>	<u>3,789</u>	<u>2,849</u>

Movements in the provision for impairment of other receivables are as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
At the beginning of the year/period	292	58	76	81
(Reversal of)/provision for impairment	(234)	18	5	20
At the end of the year/period	<u>58</u>	<u>76</u>	<u>81</u>	<u>101</u>

The Company

Amounts due from a subsidiary mainly represent the proceeds from the Pre-IPO investor net off related expenses.

22 CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2016	2017	2018	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand:				
– Denominated in RMB	6,772	13,950	32,992	39,821
– Denominated in USD	143	–	–	–
– Denominated in Hong Kong Dollars	39	128	574	2,914
	<u>6,954</u>	<u>14,078</u>	<u>33,566</u>	<u>42,735</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of foreign currency denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

Cash at banks earns interest at floating bank deposit rates.

23 RESTRICTED CASH

Restricted cash represents guarantee deposits for bank acceptances bill and bank borrowings, which are denominated in RMB.

24 LEASES

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at	As at	As at
	31 December	1 January	30 June
	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets			
Land use rights	–	12,511	12,364
Transportation equipment	–	1,170	899
Properties	–	54	41
	<u>–</u>	<u>13,735</u>	<u>13,304</u>

	As at 31 December	As at 1 January	As at 30 June
	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities			
Current	–	397	229
Non-current	–	257	257
	–	654	486

Additions to the right-of-use assets during the six months ended 30 June 2019 was nil.

(b) Amounts recognised in profit or loss

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June 2019
	<i>RMB'000</i>
Amortisation of right-of-use assets	431
Interest expense (included in finance costs – net)	21
Expense relating to short-term leases (included in administrative expenses)	186

The total cash outflow from financing activities for leases during the six months ended 30 June 2019 was RMB189,000.

25 SHARE CAPITAL AND SHARE PREMIUM

The share capital and share premium as at 30 June 2019 represented the share capital and share premium of the Company as follows:

	Number of ordinary shares	Share capital		Share premium	Total
	<i>Shares</i>	<i>HK\$</i>	<i>Translated to RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised:					
As of 30 June 2019	38,000,000				
Issued and fully paid:					
Issue of ordinary share on 7 March 2019 (date of incorporation)	10,000	100	–	–	–
Effect of the Reorganisation (<i>Note 1.2(f)</i>)	19,990,000	199,900	170	70,555	70,725
Issue of ordinary shares to a Pre-IPO investor (<i>Note (a)</i>)	1,400,000	14,000	12	17,142	17,154
As of 30 June 2019	21,400,000	214,000	182	87,697	87,879

- (a) On 25 March 2019, the Company allotted and issued an aggregate of 1,400,000 shares to the Pre-IPO investor of the Company at a total consideration of RMB17,154,000, of which RMB12,000 was recorded in share capital, and the remaining amount of RMB17,142,000 was recorded in share premium.

26 OTHER RESERVES

	Statutory reserves	Currency translation reserves	Other reserves	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note(a))</i>			
As at 1 January 2016	–	(2,509)	8,416	5,907
Appropriation to statutory reserves	990	–	–	990
Currency translation differences	–	(4,483)	–	(4,483)
As at 31 December 2016	<u>990</u>	<u>(6,992)</u>	<u>8,416</u>	<u>2,414</u>
As at 1 January 2017	990	(6,992)	8,416	2,414
Appropriation to statutory reserves	2,788	–	–	2,788
Currency translation differences	–	4,639	–	4,639
As at 31 December 2017	<u>3,778</u>	<u>(2,353)</u>	<u>8,416</u>	<u>9,841</u>
As at 1 January 2018	3,778	(2,353)	8,416	9,841
Appropriation to statutory reserves	3,686	–	–	3,686
Currency translation differences	–	(3,248)	–	(3,248)
Capital injection from non-controlling interests <i>(Note 35(a))</i>	–	–	3,554	3,554
As at 31 December 2018	<u>7,464</u>	<u>(5,601)</u>	<u>11,970</u>	<u>13,833</u>
As at 1 January 2019	7,464	(5,601)	11,970	13,833
Currency translation differences	–	(297)	–	(297)
Repurchase of shares from non-controlling interests <i>(Note 1.2(a), Note 35(b))</i>	–	–	(14,373)	(14,373)
Effect of the Reorganisation <i>(Note (b))</i>	–	–	(70,725)	(70,725)
As at 30 June 2019	<u>7,464</u>	<u>(5,898)</u>	<u>(73,128)</u>	<u>(71,562)</u>

(a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

- (b)** Other reserves of approximately RMB70,725,000 were debited which represented the carrying value of the Listing Business as at 21 March 2019 when the Company acquired the entire equity interest of Tailam Hong Kong as described in Note 1.2(f).

27 OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commitments in relation to finance leases are payable as follows:			
Within one year	855	508	71
Later than one year but not later than five years	508	–	–
Minimum lease payments	1,363	508	71
Future finance charges	(83)	–	(3)
Total lease liabilities	<u>1,280</u>	<u>508</u>	<u>68</u>
The present value of finance lease liabilities is as follows:			
Within one year	772	508	68
Later than one year but not later than five years	508	–	–
	<u>1,280</u>	<u>508</u>	<u>68</u>

Analysed as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Obligations under finance leases			
Non-current	508	–	–
Current	772	508	68
	<u>1,280</u>	<u>508</u>	<u>68</u>

The Group leased various machinery with a carrying amount of RMB1,887,000, RMB1,606,000 and nil as at 31 December 2016, 2017 and 2018, respectively, under finance leases expiring within two to three years.

The Group leased a vehicle with a carrying amount of nil, nil and RMB518,000 as at 31 December 2016, 2017 and 2018, respectively, under finance leases expiring within one year.

The effective interest rate ranging from 6.47% to 7.46% per annum as at 31 December 2016, 2017 and 2018. The obligations under finance leases are denominated in RMB.

28 TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Trade payables (<i>Note (a)</i>)				
– Third parties	14,412	32,042	54,420	60,682
Other payables				
– Related parties (<i>Note 37(d)</i>)	1,972	–	–	–
– Third parties	1,172	1,317	861	498
	3,144	1,317	861	498
Notes payables	–	2,000	1,410	–
Dividend payable	–	44	–	–
Accrued payroll	3,370	3,679	3,606	3,132
Other tax payables	1,057	1,451	2,108	1,510
Accrued listing expenses	–	–	3,050	4,128
	21,983	40,533	65,455	69,950

Trade and other payables are denominated in RMB.

- (a) An ageing analysis of trade payables as at 31 December 2016, 2017 and 2018 and 30 June 2019 based on invoice date is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Up to 1 month	9,624	19,119	26,184	43,556
1 to 6 months	3,849	9,669	26,064	15,042
6 months to 1 year	265	2,029	804	842
1 to 2 years	489	713	605	479
Over 2 years	185	512	763	763
	14,412	32,042	54,420	60,682

29 LOANS FROM CONTROLLING SHAREHOLDER/A SHAREHOLDER OF A SUBSIDIARY

As at 31 December 2016, 2017 and 2018 and 30 June 2019, loans from controlling shareholder and a shareholder of a subsidiary were denominated in USD, unsecured, interest free and repayable on demand.

Movements of loans from controlling shareholder

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
At the beginning of the year/period	65,852	55,668	62,252	71,865
Loan advanced	20,370	10,400	5,225	1,069
Loan repayment made	(32,843)	(328)	(11,860)	(10,266)
Non-cash movement	2,289	(3,488)	3,305	248
Transferred from loans from a shareholder of a subsidiary	–	–	12,943	–
At the end of the year/period (<i>Note (a)</i>)	<u>55,668</u>	<u>62,252</u>	<u>71,865</u>	<u>62,916</u>

- (a) On 2 April 2019, a loan waiver agreement was entered into between Ms. Wong and Tailam Hong Kong, pursuant to which approximately RMB50.2 million will be waived by Ms. Wong conditionally upon Listing. The remaining balance from controlling shareholder will be repaid before Listing.

Movements of loans from a shareholder of a subsidiary

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
At the beginning of the year/period	13,450	13,874	12,966	–
Loan advanced	1,826	–	–	–
Loan repayment made	(1,455)	–	(23)	–
Non-cash movement	53	(908)	–	–
Transferred to loans from controlling shareholder	–	–	(12,943)	–
At the end of the year/period	<u>13,874</u>	<u>12,966</u>	<u>–</u>	<u>–</u>

30 BORROWINGS

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
Current				
Bank borrowings, secured and guaranteed (<i>Note (a)</i>)	25,000	25,000	25,000	25,000
Bank borrowings, unsecured and guaranteed (<i>Note (b)</i>)	–	–	8,000	8,000
Bank borrowings, secured and unguaranteed (<i>Note (c)</i>)	–	–	–	12,900
Bank borrowings, unsecured and unguaranteed	–	–	–	5,000
	<u>25,000</u>	<u>25,000</u>	<u>33,000</u>	<u>50,900</u>

All of the Group's borrowings are denominated in RMB.

- (a) As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's bank borrowings of RMB22,000,000 were guaranteed by Ms. Wong and secured by pledge of the Group's buildings (Note 16(a)) and land use rights (Note 18(a)).

Bank borrowings of RMB3,000,000 were guaranteed by Ms. Wong and Wong Leung Yau and secured by pledge of residential properties owned by Wong Leung Yau and Lee Mei Wai, the parents of Ms. Wong as at 31 December 2016, 2017 and 2018, and were guaranteed by Wong Leung Yau and secured by the Group's construction in progress (Note 16(a)) as at 30 June 2019.

- (b) As at 30 June 2019, the Group's bank borrowings of RMB8,000,000 were guaranteed by Nantong Kangtai Transportation Co., Ltd., which is controlled by a cousin of Ms. Wong.
- (c) As at 30 June 2019, the Group's bank borrowings of RMB9,900,000 were secured by pledge of a property owned by Wong Leung Yau, the Group's bank borrowings of RMB3,000,000 were pledged by the Group's bank deposits (Note 23).
- (d) As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's borrowings were repayable within one year.
- (e) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of each year were within 1 year.
- (f) The fair value of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

31 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Deferred tax assets:				
– Deferred tax asset to be recovered after 12 months	539	516	442	84
– Deferred tax asset to be recovered within 12 months	766	1,300	1,552	1,685
	<u>1,305</u>	<u>1,816</u>	<u>1,994</u>	<u>1,769</u>
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	–	–	–	–
– Deferred tax liabilities to be recovered within 12 months	–	(106)	–	–
	<u>–</u>	<u>(106)</u>	<u>–</u>	<u>–</u>
	<u>1,305</u>	<u>1,710</u>	<u>1,994</u>	<u>1,769</u>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – allowance on doubtful debts	Deferred tax assets – impairment of inventories	Deferred tax assets – tax losses	Deferred tax assets – social insurance and housing funds	Deferred tax assets – impairment of property, plant and equipment	Deferred tax assets – accrued expenses	Deferred tax liabilities – temporary difference relating to undistributed profit of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	422	817	868	523	–	–	–	2,630
Credited/(charged) to profit or loss	149	(782)	(868)	16	–	160	–	(1,325)
As at 31 December 2016	571	35	–	539	–	160	–	1,305
Credited/(charged) to profit or loss	356	(8)	–	(23)	193	(7)	(106)	405
As at 31 December 2017	927	27	–	516	193	153	(106)	1,710
Credited/(charged) to profit or loss	40	(27)	–	(74)	–	239	106	284
As at 31 December 2018	967	–	–	442	193	392	–	1,994
(Charged)/credited to profit or loss	(62)	–	–	(124)	–	(39)	–	(225)
As at 30 June 2019	905	–	–	318	193	353	–	1,769

32 DIVIDEND

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividend paid to non-controlling interests of a subsidiary	–	44	–	–	–

(Unaudited)

No dividend has been declared or paid by the Company during the Track Record Period.

A subsidiary of the Group declared and paid dividend during the year ended 31 December 2017 to its then equity holders. The amount disclosed in the above table represents the dividend paid to the non-controlling interests.

The rates for dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before income tax	13,289	37,511	47,118	26,464	24,253
Adjustments for:					
– Depreciation of property, plant and equipment	3,847	3,976	4,068	2,067	2,126
– Amortisation of intangible assets	21	19	13	2	17
– Amortisation of right-of-use assets	280	279	288	140	431
– Finance costs	1,552	1,737	2,215	1,085	1,236
– Impairment provision/(reversal of impairment provision) for trade receivables	1,082	2,005	393	232	(271)
– (Reversal of)/impairment provision for other receivables	(234)	18	5	5	20
– Reversal of impairment provision for inventories	(3,132)	(29)	(107)	(107)	–
– Impairment provision for property, plant and equipment	–	771	–	–	–
– Losses on disposal of property, plant and equipment	–	–	540	25	–
	<u>16,705</u>	<u>46,287</u>	<u>54,533</u>	<u>29,913</u>	<u>27,812</u>
Changes in working capital:					
– Restricted cash	–	(2,000)	590	(9,000)	(1,590)
– Inventories	(8,326)	(7,534)	1,955	8,067	10,585
– Trade and other receivables	(2,006)	(44,998)	(51,553)	(22,393)	(1,750)
– Trade and other payables	(189)	18,740	24,943	1,746	(2,072)
– Contract liabilities	8,525	(2,769)	197	3,467	(4,484)
	<u>14,709</u>	<u>7,726</u>	<u>30,665</u>	<u>11,800</u>	<u>28,501</u>

(a) Net debt reconciliation

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	6,954	14,078	33,566	42,735
Restricted cash	–	2,000	1,410	3,000
Loans from controlling shareholder	(55,668)	(62,252)	(71,865)	(62,916)
Loans from a shareholder of a subsidiary	(13,874)	(12,966)	–	–
Borrowings	(25,000)	(25,000)	(33,000)	(50,900)
Lease liabilities	–	–	–	(486)
	<u>(87,588)</u>	<u>(84,140)</u>	<u>(69,889)</u>	<u>(68,567)</u>

	Cash and cash equivalents	Restricted cash	Loans from controlling shareholder	Loans from a shareholder of a subsidiary	Borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balances as at 1 January 2016	383	-	(65,852)	(13,450)	(18,000)	-	(96,919)
Cash flows	6,571	-	12,473	(371)	(7,000)	-	11,673
Other non-cash movement (Note (i))	-	-	(2,289)	(53)	-	-	(2,342)
Balances as at 31 December 2016	6,954	-	(55,668)	(13,874)	(25,000)	-	(87,588)
Cash flows	7,124	2,000	(10,072)	-	-	-	(948)
Other non-cash movement (Note (i))	-	-	3,488	908	-	-	4,396
Balances as at 31 December 2017	14,078	2,000	(62,252)	(12,966)	(25,000)	-	(84,140)
Cash flows	19,488	(590)	6,635	23	(8,000)	-	17,556
Other non-cash movement (Note (i))	-	-	(3,305)	-	-	-	(3,305)
Transfer	-	-	(12,943)	12,943	-	-	-
Balances as at 31 December 2018	33,566	1,410	(71,865)	-	(33,000)	-	(69,889)
Cash flows	9,169	1,590	9,197	-	(17,900)	189	2,245
Other non-cash movement (Note (i))	-	-	(248)	-	-	(675)	(923)
Balances as at 30 June 2019	42,735	3,000	(62,916)	-	(50,900)	(486)	(68,567)

- (i) Other non-cash transactions comprised exchange differences, the repayment of loans by notes receivables and recognition of lease liabilities.

34 COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	-	-	4,550	-

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease periods are between one and three years, and majority of lease arrangements are renewable at the end of the lease periods at market rate to be agreed with landlords.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	–	–	733
Later than 1 year and no later than 5 years	–	–	313
	–	–	1,046

35 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- (a) On 7 May 2018, Jiangsu Tailam issued and allotted 2,000,000 ordinary shares of RMB1 each to a third party individual Mr. Lin Qisheng at the consideration of RMB12,000,000. The capital injections resulted in an increase in the non-controlling interests and reserves of the Group totaling RMB8,446,000 and RMB3,554,000.
- (b) On 25 January 2019, the Group acquired 7.65% equity interests of Jiangsu Tailam at a consideration of RMB25,251,000. The carrying amount of the non-controlling interests in Jiangsu Tailam being acquired as of the date of acquisition is RMB10,878,000, the excess of consideration paid of RMB14,373,000 was recognised as a decrease in reserves.

36 RELATED PARTY TRANSACTIONS**(a) Name and relationship with related parties**

Name	Relationship
Ms. Wong	Ultimate controlling shareholder
Mr. Lam Ting Tung ⁽ⁱ⁾	Shareholder of a subsidiary

- (i) Mr. Lam Ting Tung is no longer a related party to the Group starting from 5 September 2018 (Note 1.2(c)).

(b) Transactions with related parties

Other than those related party transactions as disclosed elsewhere in this accountant's report, there was no related party transaction during Track Record Period.

(c) Key management compensations

Compensations to key management of the Group is set out below:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries and other employee benefits	543	992	1,297	671	637

(d) Balances with related parties

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
– Other payables – non-trade in nature				
Ms. Wong (<i>Note (i)</i>)	1,972	–	–	–
– Loans from controlling shareholder				
Ms. Wong	55,668	62,252	71,865	62,916
Mr. Lam Ting Tung	13,874	12,966	–	–
	69,542	75,218	71,865	62,916

(i) Other payables due to Ms. Wong are interest-free and repayable on demand.

37 EVENTS AFTER THE BALANCE SHEET DATE

There is no significant subsequent event took place subsequent to 30 June 2019.

38 BENEFITS AND INTERESTS OF DIRECTORS

On 7 March 2019, the following directors are appointed:

Executive directors

Ms. Wong, Chairlady

Mr. Wong Chiu Wai

Ms. Jiang Yin Juan

Non-executive director

Mr. Wong Leung Yau

(a) *Directors' and chief executive's emoluments*

The directors' emoluments for the year ended 31 December 2016 are as follows:

Name	Fees	Salaries	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
Ms. Wong	–	103	27	11	141
Mr. Wong Chiu Wai	–	93	27	11	131
Ms. Jiang Yin Juan	–	74	–	–	74
	–	270	54	22	346
<i>Non-executive director</i>					
Mr. Wong Leung Yau	–	93	–	–	93
	–	363	54	22	439

The directors' emoluments for the year ended 31 December 2017 are as follows:

Name	Fees	Salaries	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
Ms. Wong	–	210	42	18	270
Mr. Wong Chiu Wai	–	198	39	16	253
Ms. Jiang Yin Juan	–	126	–	–	126
	–	534	81	34	649
<i>Non-executive director</i>					
Mr. Wong Leung Yau	–	150	–	–	150
	–	684	81	34	799

The directors' emoluments for the year ended 31 December 2018 are as follows:

<u>Name</u>	<u>Fees</u>	<u>Salaries</u>	<u>Pension costs – defined contribution plans</u>	<u>Other social security costs, housing benefits and other employee benefits</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
Ms. Wong	–	256	40	39	335
Mr. Wong Chiu Wai	–	256	41	41	338
Ms. Jiang Yin Juan	–	169	–	–	169
	–	681	81	80	842
<i>Non-executive director</i>					
Mr. Wong Leung Yau	–	146	–	–	146
	–	827	81	80	988

The directors' emoluments for the six months ended 30 June 2018 are as follows:

(Unaudited)

<u>Name</u>	<u>Fees</u>	<u>Salaries</u>	<u>Pension costs – defined contribution plans</u>	<u>Other social security costs, housing benefits and other employee benefits</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>					
<i>Executive director</i>					
Ms. Wong	–	138	20	19	177
Mr. Wong Chiu Wai	–	126	20	21	167
Ms. Jiang Yin Juan	–	94	–	–	94
	–	358	40	40	438
<i>Non-executive Director</i>					
Mr. Wong Leung Yau	–	78	–	–	78
	–	436	40	40	516

The directors' emoluments for the six months ended 30 June 2019 are as follows:

<u>Name</u>	<u>Fees</u>	<u>Salaries</u>	<u>Pension costs – defined contribution plans</u>	<u>Other social security costs, housing benefits and other employee benefits</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive director</i>					
Ms. Wong	–	144	–	–	144
Mr. Wong Chiu Wai	–	126	19	20	165
Ms. Jiang Yin Juan	–	94	–	–	94
	–	364	19	20	403
<i>Non-executive Director</i>					
Mr. Wong Leung Yau	–	78	–	–	78
	–	442	19	20	481

(b) *Directors' retirement benefits*

During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, there were no additional retirement benefits received by the directors except for the contributions to retirement benefit schemes as disclosed in Note (a) above.

(c) *Directors' termination benefits*

During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, there were no termination benefits received by the directors.

(d) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019 and up to the date of this report. No dividend or distribution 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 June 2019.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth in this Appendix II does not form part of the “Accountant’s Report” from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, 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 “Accountant’s Report” set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2019.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 30 June 2019 or at any future date.

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2019	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>Equivalent to HK\$</i> <i>(Note 4)</i>
Based on an Offer					
Price of HK\$1.30 per Share	74,259	67,686	141,945	0.35	0.41
Based on an Offer					
Price of HK\$1.40 per Share	74,259	73,812	148,071	0.37	0.42

Notes:

- (1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2019 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as of 30 June 2019 of approximately RMB74,397,000 with an adjustment for the intangible assets of the Group as at 30 June 2019 of approximately RMB138,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$1.3 (equivalent to RMB1.14) and HK\$1.4 (equivalent to RMB1.23) per Offer Share, being the lower end to higher end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other listing related expenses paid/payable by the Company (excluding listing expenses of approximately RMB11,841,000 which have been accounted for prior to 30 June 2019), and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of 30 June 2019 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue has been completed on 30 June 2019, but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of these unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8762 to HK\$1.00. No representation is made that any amount in Renminbi can be or could have been or may be converted at the above rates or any other rates at all.
- (5) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 30 June 2019. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the effect of the Loan Waiver amounting to RMB50.2 million. The unaudited pro forma net tangible assets per Share would have been RMB0.48 (equivalent to approximately HK\$0.55) and RMB0.50 (equivalent to approximately HK\$0.57) based on the Offer Price of HK\$1.3 and HK\$1.4 per Share, respectively, had the Loan Waiver been taken into account.

(B) REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of Tailam Tech Construction Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tailam Tech Construction Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2019, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 5 December 2019, in connection with the proposed share offer of the shares of the Company. 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.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group’s financial position as at 30 June 2019 as if the proposed share offer had taken place at 30 June 2019. 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 six months ended 30 June 2019, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) 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.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed share offer at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 5 December 2019

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 March 2019 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 5 November 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than

one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to 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 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 to their nominal value.

Neither the Company nor the board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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 as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 March 2019.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

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.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office as a matter of public record. A list of the names of the current directors and alternate directors (if applicable) are made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 March 2019. Our Company has established a place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 March 2019. In connection with such registration, Ms. Wong Sau Ping has been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) The authorised share capital of our Company as at the date of its incorporation was HK\$380,000.00 divided into 38,000,000 Shares of HK\$0.01 each, of which one fully paid Share was allotted and issued to the initial subscriber, which was subsequently transferred to Apax Investment on the same date.
- (b) On the same date, our Company further allotted and issued the respective number of Shares, all fully paid at par, to the relevant persons as set out in the table below:

<u>Name of Shareholder(s)</u>	<u>Number of share(s)</u>
Apax Investment	7,979
Glorycore Investment	840
Megacore Investment	304
Vako Investment	100
Super Universe	100
Blue Coral Resources	676
Total:	<u><u>9,999</u></u>

Upon completion of the share allotment and issuance, the entire issued share capital of our Company was owned by:

- (i) Apax Investment as to 79.80%;
- (ii) Glorycore Investment as to 8.40%;

- (iii) Megacore Investment as to 3.04%;
 - (iv) Blue Coral Resources as to 6.76%;
 - (v) Super Universe as to 1.00%; and
 - (vi) Vako Investment as to 1.00%.
- (c) Following the transfer and share allotment and issuance as described above, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which 10,000 Shares has been allotted and issued, fully paid or credited as fully paid, and 37,990,000 Shares will remain unissued.
- (d) On 21 March 2019, our Company allotted and issued an aggregate of 19,990,000 Shares to Apax Investment, Glorycore Investment, Megacore Investment, Vako Investment, Super Universe and Blue Coral Resources, respectively. Details are set out in the section headed “History, Development and Reorganisation — Offshore Reorganisation” in this prospectus.
- (e) On 25 March 2019, our Company allotted and issued 1,400,000 Shares to the Pre-IPO Investor at the subscription price of HK\$19,500,000 under the Subscription Agreement. Details are set out in the section headed “History, Development and Reorganisation — Pre-IPO Investment” in this prospectus.
- (f) Pursuant to the written resolutions of our Shareholders passed on 5 November 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by creation of an additional 962,000,000 Shares.
- (g) Immediately following the Share Offer and Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option or any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 400,000,000 Shares will be allotted and issued, fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.
- (h) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Resolutions in writing of all Shareholders passed on 5 November 2019” in this appendix and pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme, our Directors do 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 which would effectively alter the control of our Company will be made.
- (i) Save as disclosed in this prospectus, there has been no other alterations in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 5 November 2019

Pursuant to the written resolutions passed by our Shareholders on 5 November 2019, inter alia:

- (a) the Memorandum was approved and adopted with immediate effect and the new Articles of our Company were conditionally approved and adopted with effect from the Listing Date;
- (b) conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; the Offer Price having been determined; the execution and delivery of the Underwriting Agreements; and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
 - (i) the Share Offer was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued pursuant thereunder and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote any matter connected therewith notwithstanding that they or any of them may be interested in the same;
- (c) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to Share Offer, our Directors were authorised to capitalise HK\$2,996,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,600,000 Shares for allotment and issue to holder(s) of Shares whose name(s) appear(s) on the register of members of our Company at the close of business on 5 November 2019 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to the then existing shareholdings of such holder(s) of Shares in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are thereby authorised to give effect to the Capitalisation Issue;

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) Shares with aggregate total number not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares that may be issued upon exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is 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 any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares that may be issued upon the exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest on:
- (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 applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting, revoking, varying or renewing such mandate; and

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the Repurchase Mandate, 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 Share Offer (excluding any Shares that may be issued upon the exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme).

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Development and Reorganisation — Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the section headed “History, Development and Reorganisation — Corporate Structure” of this prospectus.

5. Changes in share capital of our subsidiaries

The subsidiaries of our Company are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Saved as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any subsidiary of our Company within two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on 5 November 2019, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, 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, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), at any time until (aa) the conclusion of the next annual general meeting of our Company, (bb) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held or (cc) when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders of our Company in general meeting, whichever is the earliest.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Main Board 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.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock

Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules), and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the course of the period prior to 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 and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

Pursuant to the Repurchase Mandate, any repurchase of Shares will be made out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company, our Company's share premium account or out 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 the profits of our Company, our Company's share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Company may not repurchase securities on the Stock Exchange 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.

(e) General

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, 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 on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 Listing Rules, the Memorandum, the Articles and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell any Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (the "**Code**"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the interests of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts entered into the ordinary course of business of our Group) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement in relation to the 100% interest in the share capital of Tailam Hong Kong dated 21 March 2019 entered into between our Company, Tailam Investment Holdings, Tailam Hong Kong; and Ms. Wong Han Yu Alice, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Widjaja (collectively, the “**Existing Tailam Hong Kong Shareholders**”), pursuant to which Tailam Investment Holdings acquired the entire issued and paid-up capital of Tailam Hong Kong from the Existing Tailam Hong Kong Shareholders for an aggregate consideration of HK\$199,900, such consideration being satisfied by our Company allotting and issuing an aggregate of 19,990,000 Shares in the capital of our Company credited as fully paid, to the persons specified below:




Name of the Existing Tailam Hong Kong Shareholders	Number Tailam Hong Kong Shares transferred	Consideration HK\$	Number of Shares	Name of allottees
Ms. Wong Han Yu Alice	7,980,000	159,520.20	15,952,020	Apax Investment
Mr. Wang Chao Hong	840,000	16,791.60	1,679,160	Glorycore Investment
Mr. Wong Leung Yau	304,000	6,076.96	607,696	Megacore Investment
Ms. Wong Chiu Ling	100,000	1,999.00	199,900	Vako Investment
Ms. Wong Yu Ting	100,000	1,999.00	199,900	Super Universe
Ms. Grace Widjaja	676,000	13,513.24	1,351,324	Blue Coral Resources

- (b) the Deed of Indemnity;
- (c) the Public Offer Underwriting Agreement;
- (d) the agreement for subscription of Shares in our Company dated 25 March 2019, entered into between the Pre-IPO Investor, our Company and Ms. Wong Han Yu Alice, pursuant to which our Company has allotted and issued 1,400,000 Shares to the Pre-IPO Investor at the subscription price of HK\$19,500,000;
- (e) the Deed of Lock-up Undertaking; and
- (f) the loan waiver deed dated 2 April 2019, entered into between Tailam Hong Kong and Ms. Wong Han Yu Alice, pursuant to which Ms. Wong Han Yu Alice agreed to waive the non-interest-bearing loan due and payable by Tailam Hong Kong to her, conditional upon the Listing.


2. Intellectual property rights of our Group

(a) Trademarks

- (i) As at the Latest Practicable Date, we had registered the following trademarks in relation to our Group's business:

Trademark	Registered owner	Place of registration	Class	Trademark number	Expiry date
	Jiangsu Tailam	PRC	40	13108701	20 December 2024
	Jiangsu Tailam	PRC	19	13108640	13 July 2025
	Jiangsu Tailam	PRC	19	26712048	6 December 2028

- (ii) As at the Latest Practicable Date, we had applied for registration of the following trademark:

Trademark	Name of applicant	Class	Application number	Application date	Place of registration
	Jiangsu Tailam	19, 20, 31, 37, 42, 44	304824739	1 February 2019	Hong Kong

(b) Patent

- (i) As at the Latest Practicable Date, we had registered the following patent:

No.	Patent	Registered owner	Type	Registration number	Application date	Place of registration	Duration of validity (No. of years as from the application date)
1.	A concrete processing system for construction use* (一種建築建設用混凝土加工系統)	Jiangsu Tailam	Invention (發明)	ZL201711331783.1	13 December 2017	PRC	20

(ii) As at the Latest Practicable Date, we had applied for the registration of the following patents:

No.	Patent	Name of applicant	Type	Application number	Application date	Place of registration
1.	An energy saving and environmental-friendly recycling system for the residual pulp of concrete pile* (一種節能環保的管樁餘漿循環使用系統)	Jiangsu Tailam	Utility Model (實用新型)	201920091934.9	18 January 2019	PRC
2.	A type of pile mould which could be assembled or dissembled easily* (便於拆裝的管樁模具)	Jiangsu Tailam	Utility Model (實用新型)	201920091805.X	18 January 2019	PRC
3.	A form of net reinforced pipe pile* (一種網式鋼筋管樁骨架)	Jiangsu Tailam	Utility Model (實用新型)	201920092005.X	18 January 2019	PRC
4.	Permeable concrete* (透水混凝土)	Jiangsu Tailam	Invention (發明)	201910083908.6	29 January 2019	PRC
5.	A type of pipe pile production technology* (一種管樁的生產工藝)	Jiangsu Tailam	Invention (發明)	201910083909.0	29 January 2019	PRC
6.	A type of shock absorber centrifuge for pipe pile* (一種減震管樁離心機)	Jiangsu Tailam	Utility Model (實用新型)	201920091751.7	18 January 2019	PRC
7.	A type of pipe pile which is convenient to be used at construction site* (一種便於現場施工的管樁)	Jiangsu Tailam	Utility Model (實用新型)	201920091752.1	18 January 2019	PRC
8.	Splicable pile skeleton* (可拼接式管樁骨架)	Jiangsu Tailam	Utility Model (實用新型)	201920091753.6	18 January 2019	PRC
9.	Water-saving pipe pile mould cleaning system* (節約水資源的管樁模具清洗系統)	Jiangsu Tailam	Utility Model (實用新型)	201920091802.6	18 January 2019	PRC

No.	Patent	Name of applicant	Type	Application number	Application date	Place of registration
10.	Pipe piles that are easy for stacking* (便於堆疊的管樁)	Jiangsu Tailam	Utility Model (實用新型)	201920091803.0	18 January 2019	PRC
11.	Pipe piles that are easy to be lifted* (便於吊裝的管樁)	Jiangsu Tailam	Utility Model (實用新型)	201920091804.5	18 January 2019	PRC
12.	An automatic welding machine for pipe pile frame* (一種管樁骨架自動焊接機)	Jiangsu Tailam	Utility Model (實用新型)	201920091935.3	18 January 2019	PRC
13.	A type of dust-proof storage Room for concrete aggregate* (一種混凝土骨料防塵儲藏室)	Jiangsu Tailam	Utility Model (實用新型)	201920092001.1	18 January 2019	PRC
14.	An automatic welder for pipe pile frame with effective protection for welding* (一種對焊接進行有效防護的管樁骨架自動焊接機)	Jiangsu Tailam	Utility Model (實用新型)	201920092002.6	18 January 2019	PRC
15.	A type of pipe pile with stronger penetration* (一種穿透力更強的管樁)	Jiangsu Tailam	Utility Model (實用新型)	201920092003.0	18 January 2019	PRC
16.	A type of prefabricated pipe pile mould which could be installed easily* (一種便於安裝的預製管樁模具)	Jiangsu Tailam	Utility Model (實用新型)	201920092004.5	18 January 2019	PRC
17.	A type of prestressed pipe pile that is easy for pile driving* (一種便於送樁的預應力管樁)	Jiangsu Tailam	Utility Model (實用新型)	201920092061.3	18 January 2019	PRC
18.	An anti-skidding pipe pile mould carriage device* (一種防滑脫管樁模具搬運裝置)	Jiangsu Tailam	Utility Model (實用新型)	201920101710.1	19 January 2019	PRC

No.	Patent	Name of applicant	Type	Application number	Application date	Place of registration
19.	A type of pipe pile maintenance steam pool* (一種管樁蒸汽養護池)	Jiangsu Tailam	Utility Model (實用新型)	201920101865.5	19 January 2019	PRC
20.	A type of pipe pile frame* (一種管樁骨架)	Jiangsu Tailam	Utility Model (實用新型)	201920102016.1	19 January 2019	PRC
21.	A type of leakage-proof pipe pile mould* (一種防滲漏的管樁模具)	Jiangsu Tailam	Utility Model (實用新型)	201920102017.6	19 January 2019	PRC
22.	A type of tension device for concrete aggregate conveyor belt* (一種混凝土骨料傳送帶張緊裝置)	Jiangsu Tailam	Utility Model (實用新型)	201920102018.0	19 January 2019	PRC
23.	A type of high temperature steam furnace with rail for fast installation* (一種軌道便於快速安裝的高溫蒸汽爐)	Jiangsu Tailam	Utility Model (實用新型)	201920102019.5	19 January 2019	PRC
24.	A type of pipe pile maintenance high temperature steam furnace* (一種管樁養護高溫蒸汽爐)	Jiangsu Tailam	Utility Model (實用新型)	201920102020.8	19 January 2019	PRC
25.	A type of centrifuge device for anti-slip pile mould* (一種防滑脫管樁模具離心裝置)	Jiangsu Tailam	Utility Model (實用新型)	201920102101.8	19 January 2019	PRC
26.	A type recycling system for aggregate cleaning water* (一種骨料清洗水回收循環使用系統)	Jiangsu Tailam	Utility Model (實用新型)	201920111304.3	19 January 2019	PRC
27.	A type of sound-proofing wall* (一種隔音牆)	Jiangsu Tailam	Utility Model (實用新型)	201920111305.8	19 January 2019	PRC
28.	Connecting structure of pipe pile mould and frame* (管樁模具和骨架的連接結構)	Jiangsu Tailam	Utility Model (實用新型)	201920111391.2	19 January 2019	PRC

<u>No.</u>	<u>Patent</u>	<u>Name of applicant</u>	<u>Type</u>	<u>Application number</u>	<u>Application date</u>	<u>Place of registration</u>
29.	High efficiency pipe pile mould casting system* (高效管樁模具澆築系統)	Jiangsu Tailam	Utility Model (實用新型)	201920111393.1	19 January 2019	PRC
30.	A weighing and proportioning station for raw materials of concrete* (一種混凝土原料的稱重配比站)	Jiangsu Tailam	Utility Model (實用新型)	201920111394.6	19 January 2019	PRC
31.	A type of stable rotating centrifugal equipment for pipe pile mould* (一種轉動穩定的管樁模具離心設備)	Jiangsu Tailam	Utility Model (實用新型)	201920111395.0	19 January 2019	PRC
32.	A steam recycling system for pipe pile maintenance* (一種管樁養護蒸汽循環利用系統)	Jiangsu Tailam	Utility Model (實用新型)	201920111438.5	19 January 2019	PRC

(c) *Domain names*

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

<u>Domain name</u>	<u>Registrant</u>	<u>Expiry date</u>
tlpile.com	Jiangsu Tailim Co., Ltd* (江蘇泰林工程構件股份有限公司)	12 March 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Directors

(a) Disclosure of interests of our Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, are set out as follows:

Interest in our Company

<u>Name</u>	<u>Long/short position</u>	<u>Capacity/ Type of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Ms. Wong Han Yu Alice <i>(Note 1)</i>	Long position	Interest in a controlled corporation	239,400,000	59.85%
Mr. Wong Leung Yau <i>(Note 2)</i>	Long position	Interest in a controlled corporation	9,120,000	2.28%

Notes:

- These Shares are registered in the name of Apax Investment, which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
- These Shares are registered in the name of Megacore Investment, which is wholly-owned by Mr. Wong Leung Yau. Under the SFO, Mr. Wong Leung Yau is deemed to be interested on all the Shares registered in the name of Megacore Investment.

(b) *Particulars of service contracts*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving three months' written notice to the other party, and is subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles and the applicable laws and regulations.

Each of our non-executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving three months' written notice to the other party, and is subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles and the applicable laws and regulations.

(c) *Directors' remuneration*

Our Company's policies concerning remuneration of Executive Directors are:

- (i) the amount of remuneration payable to our Executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our Executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

For FY2016, FY2017, FY2018 and 6M2019, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately RMB439,000, RMB799,000, RMB988,000 and RMB481,000, respectively. Further information in respect of our Directors' remuneration is set out in note 34 of the Accountant's Report set out in Appendix I to this prospectus.

An aggregate sum of approximately RMB1,209,000 will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2019 under the arrangements in force at the date of this prospectus, excluding discretionary bonus.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) who will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity	Immediately prior to completion of the Capitalisation Issue and the Share Offer		Immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 2)	
		Number of Shares	Percentage of shareholding	Number of Shares	Percentage of shareholding
Apax Investment	Beneficial owner ^(Note 1)	15,960,000	74.58%	239,400,000	59.85%
Ms. Wong Han Yu Alice	Interest in a controlled corporation ^(Note 1)	15,960,000	74.58%	239,400,000	59.85%
Mr. Ma Wai Kwok	Interest of spouse ^(Note 3)	15,960,000	74.58%	239,400,000	59.85%
Glorycore Investment	Beneficial Owner ^(Note 4)	1,680,000	7.85%	25,200,000	6.30%
Mr. Wang Chao Hong	Interest in a controlled corporation ^(Note 4)	1,680,000	7.85%	25,200,000	6.30%
Ms. Ruan Yuhang* (阮宇航)	Interest of spouse ^(Note 5)	1,680,000	7.85%	25,200,000	6.30%
Blue Coral Resources	Beneficial Owner ^(Note 6)	1,352,000	6.32%	20,280,000	5.07%
Ms. Grace Widjaja	Interest in a controlled corporation ^(Note 6)	1,352,000	6.32%	20,280,000	5.07%
Pre-IPO Investor	Beneficial Owner ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%

Name of Shareholder	Capacity	Immediately prior to completion of the Capitalisation Issue and the Share Offer		Immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 2)	
		Number of Shares	Percentage of shareholding	Number of Shares	Percentage of shareholding
Lucky Famous Limited	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%
GET Holdings Limited	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%
Wong Jing Shong	Interest in a controlled corporation ^(Note 7)	1,400,000	6.54%	21,000,000	5.25%

Notes:

1. These Shares are registered in the name of Apax Investment, which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
2. Assuming the Over-allotment Option is not exercised and taking no account of any options which may be granted under the Share Option Scheme.
3. Pursuant to the SFO, Mr. Ma Wai Kwok, the spouse of Ms. Wong Han Yu Alice, is deemed to be interested in all the Shares in which Ms. Wong Han Yu Alice is deemed to be interested in.
4. These Shares are registered in the name of Glorycore Investment, which is wholly-owned by Mr. Wang Chao Hong. Under the SFO, Mr. Wang Chao Hong is deemed to be interested in all the Shares registered in the name of Glorycore Investment.
5. Pursuant to the SFO, Ms. Ruan Yuhang* (阮宇航), the spouse of Mr. Wang Chao Hong, is deemed to be interested in all the Shares in which Mr. Wang Chao Hong is deemed to be interested in.
6. These Shares are registered in the name of Blue Coral Resources, which is wholly-owned by Ms. Grace Widjaja. Under the SFO, Ms. Grace Widjaja is deemed to be interested in all the Shares registered in the name of Blue Coral Resources.
7. These Shares are registered in the name of Perfect Growth Limited (the Pre-IPO Investor) and the entire interest of the Pre-IPO Investor is held by Lucky Famous Limited, which in turn is wholly owned by GET Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8100). GET Holdings Limited is owned as to approximately 75% by Wong Jing Shong. Under the SFO, Lucky Famous Limited, GET Holdings Limited and Wong Jing Shong are deemed to be interested in all the Shares registered in the name of the Pre-IPO Investor.

3. Related party transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 32 of the Accountant's Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (b) none of our Directors or the experts referred to in the section headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been 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;
- (c) none of our Directors 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;
- (d) taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, 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 any member of our Group; and
- (e) none of the experts referred to under the heading "Consents 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.

D. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of all the Shareholders passed on 5 November 2019 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date);
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date; and
- (d) the obligations of the underwriters under the Underwriting Agreement(s) becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

3. Who may join

Our Board may, at its absolute discretion, offer options (the “**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the “**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (the “**Employee**”);

- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the “**Eligible Persons**”)

4. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date, being 40,000,000 Shares, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “**Scheme Mandate Limit**”) provided that:

- (a) Our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and 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 schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

- (c) The maximum 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 Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

5. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof) provided that:

- (a) no Options shall be granted after the termination of the Share Option Scheme in accordance with its terms;
- (b) no Options shall be granted if our Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to our Company;
- (c) no Options shall be granted if the grant would result in a breach by our Company or its directors of relevant laws or regulations (including those relating to securities); and
- (d) any Option, once issued, shall not be reissued under the Share Option Scheme.

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associate(s) is the grantee of an Option). Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already 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:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue;
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million; and
- (c) such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the Offer Date (the “**Acceptant Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option.

To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the time of grant of Options

Our Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which needs to be achieved by the grantee before the Option can be exercised.

11. Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.00.

12. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

13. Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (iv) Subject as hereinafter provided:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option;
- (e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time no later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

15. Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years on the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all respects. All Options granted prior such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option in this section;
- (c) subject to the period mentioned in the paragraph headed “13. Exercise of Option” in this section, the date of the commencement of the winding up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (d) above or in the paragraph headed “13. Exercise of Option” in this section; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, the auditors shall confirm to our Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not exercised

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to our Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the terms of the Share Option Scheme to administer the day-to-day running of it; and (iv) any alteration to the aforesaid termination provisions.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong), to any member of our Group on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”).

The deed of indemnity also contain, amongst other things, indemnities given by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Company may be subject on or before the Effective Date which might be payable by any member of our Group.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, PRC, the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

To the best knowledge of our Directors, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

South China Capital Limited has made an application for and on behalf of our Company 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, including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$60,000 and have been paid by our Company.

5. Sole Sponsor’s fees

The Sole Sponsor’s fees of our Company are approximately HK\$6.2 million and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
South China Capital Limited	Licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
PricewaterhouseCoopers	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Allbright Law Offices	Legal advisers to our Company as to the PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of experts

Each of South China Capital Limited, PricewaterhouseCoopers, Conyers Dill & Pearman, Allbright Law Offices and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. 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 penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Agency fees or commission received

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting — Underwriting arrangements and expenses — Commissions and expenses” in this prospectus.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

12. Compliance Adviser

We have appointed South China Capital Limited as our compliance adviser pursuant to Rule 3A.01 of the Listing Rules.

Further details are set out in the section headed “Directors and Senior Management — Compliance Adviser” in this prospectus.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Group has no outstanding convertible debt securities or debentures;
 - (iv) 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;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
 - (vii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

- (b) none of the persons named in the paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in Cayman Islands;
- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION
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DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) the written consents referred to in “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix IV to this prospectus; and (c) certified copies of material contracts referred to in “Statutory and General Information — B. Further information about the business of our Group — 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 Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group during the Track Record Period;
- (d) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the industry research report prepared by Frost & Sullivan as referred to in the “Industry Overview” section of this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (g) the legal opinion issued by Allbright Law Offices, the PRC legal advisers to the Company as to the PRC laws;
- (h) the Companies Law;
- (i) the material contracts referred to in “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;
- (k) the terms of the Share Option Scheme; and
- (l) the service contracts and letters of appointment referred to in “Statutory and General Information — C. Further information about our Directors and substantial shareholders of our Company — 1. Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus.

The background features a light blue network pattern of interconnected lines and dots, resembling a molecular or digital structure. A large, dark blue curved band is positioned horizontally across the middle of the page, containing the company name in white text.

TAILAM TECH CONSTRUCTION HOLDINGS LIMITED
泰林科建控股有限公司