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## **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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 (the “**Corresponding Period**”).

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	5	<b>147,662</b>	212,268
Cost of sales	6	<b>(133,859)</b>	(187,705)
<b>Gross Profit</b>		<b>13,803</b>	24,563
Selling and marketing expenses	6	<b>(1,713)</b>	(1,594)
Administrative expenses	6	<b>(12,636)</b>	(17,113)
Reversal of impairment losses on trade and other receivables, net	6	<b>933</b>	1,019
Other gains – net	7	<b>3,204</b>	2,391
<b>Operating profit</b>		<b>3,591</b>	9,266
Finance costs – net	8	<b>(859)</b>	(318)
<b>Profit before income tax</b>		<b>2,732</b>	8,948
Income tax expense	9	<b>(796)</b>	(2,188)
<b>Profit for the period</b>		<b>1,936</b>	6,760
<b>Other comprehensive income</b>			
– Currency translation differences		<b>(1,462)</b>	322
<b>Total comprehensive income for the period</b>		<b>474</b>	7,082
<b>Earnings per share (<i>expressed in RMB per share</i>)</b>			
– Basic and diluted	11	<b>0.005</b>	0.017

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	130,899	138,432
Intangible assets		354	444
Deferred income tax assets		2,574	2,807
		<u>133,827</u>	<u>141,683</u>
<b>Current assets</b>			
Inventories		26,746	23,604
Trade and other receivables	13	190,051	197,268
Restricted cash	14	6,500	39,053
Cash and cash equivalents		22,058	36,098
		<u>245,355</u>	<u>296,023</u>
<b>Total assets</b>		<u><u>379,182</u></u>	<u><u>437,706</u></u>

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	3,584	3,584
Share premium		153,337	153,337
Other reserves		(14,010)	(12,895)
Retained earnings		77,734	76,145
		<u>220,645</u>	<u>220,171</u>
<b>Total equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		43	327
Borrowings	17	2,885	2,842
		<u>2,928</u>	<u>3,169</u>
<b>Current liabilities</b>			
Trade and other payables	16	99,051	154,494
Contract liabilities	5(b)	2,070	5,316
Current income tax liabilities		2,157	2,744
Borrowings	17	51,813	51,311
Lease liabilities		518	501
		<u>155,609</u>	<u>214,366</u>
<b>Total liabilities</b>		<u><u>158,537</u></u>	<u><u>217,535</u></u>
<b>Total equity and liabilities</b>		<u><u>379,611</u></u>	<u><u>437,706</u></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2022*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>Balance at 1 January 2022 (Audited)</b>	3,584	153,337	(12,895)	76,145	220,171
<b>Comprehensive income</b>					
Profit for the period	-	-	-	1,936	1,936
<b>Other comprehensive income</b>					
Currency translation differences	-	-	(1,462)	-	(1,462)
<b>Total comprehensive income</b>	-	-	(1,462)	1,936	474
<b>Transactions with owners of the Company</b>					
Appropriation of statutory reserves	-	-	347	(347)	-
	-	-	347	(347)	-
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>3,584</b>	<b>153,337</b>	<b>(14,010)</b>	<b>77,734</b>	<b>220,645</b>
<b>Balance at 1 January 2021 (Audited)</b>	3,584	161,574	(14,794)	75,420	225,784
<b>Comprehensive income</b>					
Profit for the period	-	-	-	6,760	6,760
<b>Other comprehensive income</b>					
Currency translation differences	-	-	322	-	322
<b>Total comprehensive income</b>	-	-	322	6,760	7,082
<b>Transactions with owners of the Company</b>					
Appropriation of statutory reserves	-	-	1,056	(1,056)	-
	-	-	1,056	(1,056)	-
<b>Balance at 30 June 2021 (Unaudited)</b>	<b>3,584</b>	<b>161,574</b>	<b>(13,416)</b>	<b>81,124</b>	<b>232,866</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Cash used in operating activities	(11,631)	(11,689)
Income tax paid	(1,150)	(2,621)
	<u>(12,781)</u>	<u>(14,310)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(104)	(19,948)
Purchase of intangible assets	–	(25)
Proceeds from disposal of property, plant and equipment	570	30
	<u>466</u>	<u>(19,943)</u>
<b>Financing activities</b>		
Proceeds from bank borrowings	30,427	107,132
Repayments of bank borrowings	(30,091)	(98,468)
Interest paid	(1,159)	(319)
Lease payments (including interest paid)	(267)	–
	<u>(1,090)</u>	<u>8,345</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(13,405)</b>	<b>(25,908)</b>
Cash and cash equivalents at 1 January	36,098	64,569
Effect of exchange rate changes	(635)	322
	<u>22,058</u>	<u>38,983</u>
Cash and cash equivalents at 30 June	<u><u>22,058</u></u>	<u><u>38,983</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 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**"), ceramsite concrete block and commercial concrete in the People's Republic of China (the "**PRC**").

Ms. Wong Han Yu Alice ("**Ms. Wong**") is the ultimate controlling shareholder of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") since 18 December 2019.

The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The condensed consolidated interim financial statements were approved for issue by the Board on 26 August 2022.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard ("**HKASs**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (the "**Financial Statements 2021**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**", together with HKASs and Interpretations, collectively referred to as "**HKFRS**") issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited or reviewed by Company's external auditors, but have been reviewed by the audit committee of the Company.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2022, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2021.

#### (a) Adoption of new or revised HKFRS effective on 1 January 2022

During the interim period, the Group has adopted all the following new and amended HKFRS which are first effective for the reporting period and potentially relevant to the Group.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018–2020
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use

The application of the new Amendments did not have any material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

#### (b) New or revised HKFRS that have been issued but are not yet effective

The following new or revised HKFRS, potentially relevant to the Group's condensed consolidated interim financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

<sup>2</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed.

The Directors are currently assessing the possible impact of these new or revised standards on the Group's results and financial position but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

#### 4. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive Directors.

The Group is principally engaged in the manufacturing and sale of commercial concrete, PHC piles and ceramsite concrete block 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 30 June 2022, the non-current assets of RMB125,806,000 (31 December 2021: RMB140,900,000) and RMB8,021,000 (31 December 2021: RMB7,830,000) were located in the PRC and Hong Kong respectively.

#### 5. REVENUE

##### (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:

	Six months ended 30 June	
	2022 RMB’000 (Unaudited)	2021 RMB’000 (Unaudited)
PHC piles	73,626	114,439
Commercial concrete	71,865	97,829
Ceramsite concrete block	2,171	–
	<u>147,662</u>	<u>212,268</u>

##### (b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 30 June 2022 RMB’000 (Unaudited)	As at 31 December 2021 RMB’000 (Audited)
	Contract liabilities	<u>2,070</u>

(c) **Information about major customers**

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, as set out below:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>21,547</u>	<u>23,642</u>

**6. EXPENSES BY NATURE**

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Raw materials and consumables used	122,781	184,207
Changes in inventories of finished goods	(11,289)	(10,862)
Freight charges	7,783	2,656
Depreciation and amortisation charges	7,641	4,771
Outsourcing labour costs	6,132	6,198
Utilities	4,779	5,802
Employee benefit expenses	6,702	6,821
Travelling and entertainment expenses	499	1,070
Consulting fees	748	793
Business tax and surcharges	790	571
Maintenance costs	341	1,353
(Reversal impairment losses)/impairment losses on trade and other receivables, net	(933)	(1,019)
Others	<u>1,301</u>	<u>3,032</u>
	<u>147,275</u>	<u>205,393</u>

**7. OTHER GAINS – NET**

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	233	1,766
Gain on disposal of property, plant and equipment	11	27
Exchanges gains/(losses)	1,637	(571)
Others	<u>1,323</u>	<u>1,169</u>
	<u>3,204</u>	<u>2,391</u>

## 8. FINANCE COSTS – NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance income:		
– Interest income from bank deposits	<u>300</u>	<u>1</u>
Finance costs:		
– Interest expenses on bank borrowings	(1,133)	(319)
– Interest expenses on leases	<u>(26)</u>	<u>–</u>
	<u>(1,159)</u>	<u>(319)</u>
	<u>(859)</u>	<u>(318)</u>

## 9. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated interim statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax expense	563	1,934
Deferred income tax		
– PRC corporate income tax expense	<u>233</u>	<u>254</u>
	<u>796</u>	<u>2,188</u>

### 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 year, 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”).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”). The additional tax deduction amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, and further increased to 200%, particularly for manufacturing enterprise, effective since 2021, according to a new tax incentive policy promulgated by the State Tax Bureau of the PRC. The Group has considered the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the six months ended 30 June 2022.

## 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.

### 10. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: HK2.5 cents per share).

### 11. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2022 and 2021 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 period. The weighted average number of shares of the Company in issue during the six months ended 30 June 2022 was 400,000,000 shares (six months ended 30 June 2021: 400,000,000 shares).

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>1,936</b>	6,760
Weighted average number of shares in issue ( <i>in thousands</i> )	<b>400,000</b>	400,000
Basic earnings per share for profit attributable to shareholders of the Company during the period ( <i>expressed in RMB per share</i> )	<b><u>0.005</u></b>	<u>0.017</u>

The Company did not have any potential ordinary shares outstanding during the Period and six months ended 30 June 2021, diluted earnings per share is equal to basic earnings per share.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the addition of fixed assets of the Group amounted to RMB104,000 (six months ended 30 June 2021: RMB17,684,000). Items of fixed assets with net book value of RMB494,000 were disposed during the six months ended 30 June 2022 (six months ended 30 June 2021: nil), resulting in a gain on disposal of RMB11,000 (six months ended 30 June 2021: RMB27,000).

### 13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables		
– Third parties	154,926	158,978
Less: allowance for impairment of trade receivables	<u>(10,215)</u>	<u>(11,148)</u>
	<u>144,711</u>	<u>147,830</u>
Other receivables		
– Other deposits	1,705	811
– Advances to staff	164	296
– Excess of input over output value added tax	–	45
– Others	<u>252</u>	<u>76</u>
	2,121	1,228
Less: allowance for impairment of other receivables	<u>(81)</u>	<u>(81)</u>
	<u>2,040</u>	<u>1,147</u>
Prepayments for purchase of raw materials, plant and machinery		
– Third parties	<u>40,902</u>	<u>32,731</u>
Notes receivable		
– Third parties	<u>2,398</u>	<u>15,560</u>
	<u>190,051</u>	<u>197,268</u>

As of the end of the reporting period, the ageing analysis of trade receivables, based on invoice date, is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 month	25,314	37,478
1 to 6 months	57,278	79,231
6 months to 1 year	63,712	19,296
1 to 2 years	5,884	19,387
Over 2 years	<u>2,738</u>	<u>3,586</u>
	<u>154,926</u>	<u>158,978</u>

#### 14. RESTRICTED CASH

Restricted cash represents guarantee deposits for bank acceptances bills, which are denominated in RMB.

#### 15. SHARE CAPITAL

The share capital balance as at 30 June 2022 and 31 December 2021 represented the issued and fully paid share capital of the Company as follows:

	Number of ordinary shares	Amount <i>HK\$</i>	Amount <i>RMB'000</i>
Authorised:			
As at 31 December 2021 and 30 June 2022	1,000,000,000		
Issued and fully paid:			
As at 31 December 2021 and 30 June 2022	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>

#### 16. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables		
– Third parties	<u>88,738</u>	<u>110,391</u>
Other payables		
– Third parties	<u>484</u>	<u>379</u>
Notes payables	6,500	39,053
Accrued payroll	1,226	2,447
Accrued audit fees	1,228	1,180
Other tax payables	<u>875</u>	<u>1,044</u>
	<u>99,051</u>	<u>154,494</u>

As at the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Up to 1 month	32,366	59,356
1 to 6 months	26,650	45,503
6 months to 1 year	26,539	2,717
1 to 2 years	2,875	2,529
Over 2 years	308	286
	<u>88,738</u>	<u>110,391</u>

## 17. BORROWINGS

### Non-current

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Long-term bank borrowings ( <i>Note (a)</i> )		
– Secured bank borrowings	3,063	3,018
Less: current portion	(178)	(176)
	<u>2,885</u>	<u>2,842</u>

### Current

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Current portion of long-term bank borrowings		
– Secured bank borrowings	178	176
Short-term bank borrowings ( <i>Note (b)</i> )		
– Secured bank borrowings	32,135	31,635
– Unsecured bank borrowings	19,500	19,500
	<u>51,813</u>	<u>51,311</u>

All of the Group's borrowings are denominated in RMB and HK\$ as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
HK\$	5,198	4,653
RMB	<u>49,500</u>	<u>49,500</u>

*Notes:*

- (a) As at 30 June 2022, the long-term bank borrowings were secured by the Group's properties of RMB8,021,000 (31 December 2021: RMB7,830,000) located in Hong Kong.
- (b) As at 30 June 2022, out of the secured borrowings, RMB30,000,000 (31 December 2021: RMB30,000,000) was pledged by the Group's buildings of RMB15,071,000 (31 December 2021: RMB15,548,000) and the Group's land use rights of RMB11,383,000 (31 December 2021: RMB11,629,000), and HK\$2,500,000 (approximately RMB2,135,000) (31 December 2021: HK\$2,000,000 (approximately RMB1,635,000)), together with the long term bank borrowings, were pledged by the Group's properties of RMB8,021,000 (31 December 2021: RMB7,830,000) located in Hong Kong.
- (c) The fair value of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

## 18. RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

Key management remuneration, including salaries and other employee benefits, amounted to approximately RMB2,019,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB2,046,000).

None of the related party transactions as disclosed above falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

## 19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022.

## 20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2022 which would materially affect the Group's and the Company's operating and financial performance as of the date of this interim results announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group manufactures and sells PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile), commercial concrete and ceramsite concrete block in the PRC and has a production plant in Qidong City, Nantong, Jiangsu Province, the PRC.

The Group's PHC piles are mainly sold to customers under our own trademark  and the PHC piles, commercial concrete and ceramsite concrete block are primarily used in buildings and infrastructure projects. During the Period, our products were mainly sold to property developers and construction companies in Jiangsu Province.

The Period was a challenging period for our Group. Overall demand for construction materials has been suppressed since the second half of year 2021 as a result of weak property market, the delays in infrastructure projects, the deterioration of which were further accelerated by the credit tightening, the restrictive policies and cashflow issue in the property sector.

During the Period under review, the outbreak of COVID-19 that surged in major cities of China including Shanghai and Jiangsu Province where the Group operates resulted in a citywide lockdown of Shanghai and some of the core cities in Yangtze River Delta region. The COVID-19 related prevention and control measures implemented in these cities caused the postponement or cancellation of many local infrastructure projects and restricted mobility of people and increased logistic and material costs. All these factors have obstructed the Group's operation and resulted negative impacts on the Group's performance in the first half of this financial year.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue decreased by approximately RMB64.6 million or 30.4% from approximately RMB212.3 million for the Corresponding Period to approximately RMB147.7 million for the Period. Such decrease was attributed to the low level of infrastructure activities and hence the demand for our products.

#### Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB10.8 million or 43.9% from approximately RMB24.6 million for the Corresponding Period to approximately RMB13.8 million for the Period. Gross profit margin of the Group decreased to approximately 9.3% for the Period, as compared with approximately 11.6% for the Corresponding Period, as a result of the increase in costs, in particular the freight cost.

### **Selling and marketing expenses**

The Group's selling and marketing expenses increased by approximately RMB0.1 million or 6.3% from approximately RMB1.6 million for the Corresponding Period to approximately RMB1.7 million for the Period.

### **Administrative expenses**

The Group's administrative expenses decreased by approximately RMB4.5 million or 26.3% from approximately RMB17.1 million for the Corresponding Period to approximately RMB12.6 million for the Period, as a result of lower activities and continued cost control.

### **Profit for the Period**

As a result of the abovementioned, the Group's profit for the Period amounted to approximately RMB1.9 million, representing a decrease of approximately RMB4.9 million or 72.1% as compared with approximately RMB6.8 million for the Corresponding Period.

### **Bank borrowings**

The Group's bank borrowings as at 30 June 2022 were approximately RMB54.7 million, representing an increase of approximately RMB0.5 million as compared with approximately RMB54.2 million as at 31 December 2021. Such increase was mainly due to the increase of external financing by the Group during the Period.

## **PROSPECTS**

The Period has been particularly challenging for the Group, given the ravages of the COVID-19 pandemic in early 2022 along with credit tightening, production control measures and restrictive policies in the property sector under the implementation of the "Dual Control of Energy Consumption Policy" in China since September 2021. In addition, the Group also faces cost-related challenges which include rising costs of materials and skyrocketing freight costs. Notwithstanding the challenging environment, the Group will continue to commit to its core businesses, leveraging its capabilities in manufacturing building materials and research and development, guided by our principle of "Building solid foundations to define the future".

Looking ahead, the Board remains optimistic about the Group's long term prospects. The Group will continue to explore various opportunities to expand its market share, and monitor the latest development of the construction business and the pandemic to dynamically adjust its business strategy. The Group will also adopt a prudent approach in monitoring its working capital and ensuring corporate sustainability.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group employed approximately 54 full-time employees and 177 outsourced workers (31 December 2021: approximately 51 full-time employees and 152 outsourced workers).

The Group generally recruits employees through online recruitment platforms, and outsourced workers are provided by an employment agent. The Group's employees and outsourced workers are remunerated according to their job scope, responsibilities and performance. The Group pays its employees directly and the Group pays the employment agent for services rendered by the outsourced workers. The Group's employees and outsourced workers (indirectly through the employment agent) are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. The Group provided employers' liability insurance including work injury and medical insurance to both its employees and the outsourced workers.

Share options may also be granted to eligible employees of the Group and other eligible participants.

The Group's 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 the Group's quality control, environmental, health and workplace safety policies.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's overall funding and treasury activities are currently managed and controlled by the Directors and senior management. The Directors and senior management will closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding needs.

The Group maintained cash and bank balances of approximately RMB22.1 million as at 30 June 2022 (31 December 2021: approximately RMB36.1 million).

As at 30 June 2022, the Group's borrowings amounted to approximately RMB54.7 million (31 December 2021: approximately RMB54.2 million). All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the Period. As at 30 June 2022, the gearing ratio (total debt/total equity) was 0.7 (31 December 2021: 1.0).

As at 30 June 2022, the current ratio (current assets/current liabilities) was 1.6 (31 December 2021: 1.4) and the net current assets amounted to approximately RMB89.7 million (31 December 2021: approximately RMB81.8 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes 16 and 17 to the condensed consolidated interim financial statements of this interim results announcement.

## **MARKET RISK**

Market risk is the risk that affects the Group's profitability or its ability to meet its business objectives and it arises from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these risks to ensure appropriate measures are implemented in a timely and effective manner.

## **BUSINESS RISK**

The business of the Group is highly dependent on the performance of the PRC property market. A property market downturn in the PRC and natural disasters could adversely affect the Group's business, results of operations and financial position.

## **FOREIGN EXCHANGE RISK**

Operations of the Group were mainly conducted in RMB and Hong Kong dollars ("HK\$"). At 30 June 2022, the Group's major non-RMB denominated assets and liabilities included cash and cash equivalents and other payables, which were denominated in HK\$. Fluctuation of the exchange rate of RMB against HK\$ could affect the Group's results of operations.

The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the relevant foreign currency rates.

The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

During the Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and affiliated companies.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2022.

## **PLEDGE OF ASSETS**

As at 30 June 2022, the Group's buildings of RMB23,092,000 (31 December 2021: RMB23,378,000) and land use rights of RMB11,383,000 (31 December 2021: RMB11,629,000) were pledged as collateral for the Group's borrowings.

Details of the Group's borrowings are set out in note 17 to the interim financial statements.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2021: HK2.5 cents per share).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

During the Period, the Company has complied with the CG Code except for the following deviation:

### **Code provision C.2.1**

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Ms. Wong Han Yu Alice is currently the chairperson of our Board and the chief executive officer, who is responsible for overall strategic planning and business direction and management of the Group. Having considered the nature and extent of the Group's operations, Ms. Wong Han Yu Alice's in-depth knowledge and experience in the industry and familiarity with the operations of the Group, and the fact that all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering advice on independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Ms. Wong Han Yu Alice taking up both roles of the chairperson and chief executive officer. As such, the roles of the chairperson and chief executive officer of the Group are not separate pursuant to the requirement under code provision C.2.1 of the CG Code.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Model Code as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions during the Period.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) currently has three members comprising Mr. Lai Chun Yu (Chairman), Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella, all being independent non-executive Directors. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control systems of the Group, oversee the audit process and select external auditors and assess their independence and qualifications.

## **AUDIT COMMITTEE REVIEW**

The financial information in this interim results announcement has not been audited by the Company’s external auditor but has been reviewed by the Audit Committee.

## **PUBLICATION OF UNAUDITED INTERIM REPORT**

The Company’s 2022 interim report will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company’s website at [www.tailamgroup.com](http://www.tailamgroup.com).

## **APPRECIATION**

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports. My thanks also go to all staff members of the Group for their ongoing contributions and commitment to the continuous success of the Group.

By Order of the Board of  
**Tailam Tech Construction Holdings Limited**  
**Wong Han Yu Alice**

*Chairperson, executive Director and chief executive officer*

Hong Kong, 26 August 2022

*As at the date of this announcement, the executive Directors are Ms. Wong Han Yu Alice (the chairperson and chief executive officer), Mr. Wong Chiu Wai and Ms. Jiang Yin Juan; the non-executive Director is Mr. Wong Leung Yau; and the independent non-executive Directors are Ms. Wong Siu Yin Rosella, Mr. Lai Chun Yu and Mr. Cui Yu Shu.*