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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021.

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	3	326,165	488,372
Cost of sales	4	<u>(283,297)</u>	<u>(436,414)</u>
Gross profit		42,868	51,958
Selling and marketing expenses	4	(4,586)	(4,127)
Administrative expenses	4	(30,078)	(38,519)
Reversal of/(provision for) impairment losses on financial assets		3,102	(6,662)
Other gains – net		<u>3,435</u>	<u>1,174</u>
Operating profit		14,741	3,824
Finance income		385	95
Finance cost		<u>(2,556)</u>	<u>(1,183)</u>
Finance costs – net	5	<u>(2,171)</u>	<u>(1,088)</u>
Profit before income tax		12,570	2,736
Income tax expense	6	<u>(3,606)</u>	<u>(1,023)</u>
Profit for the year attributable to equity holders of the Company		<u>8,964</u>	<u>1,713</u>
Other comprehensive (loss)/income			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(3,377)</u>	<u>911</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>5,587</u>	<u>2,624</u>
Earnings per share (<i>expressed in RMB per share</i>)			
– Basic and diluted	7	<u>0.02</u>	<u>0.00</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		129,677	138,432
Intangible assets		442	444
Deferred income tax assets		2,181	2,807
Prepayments		2,663	–
		<u>134,963</u>	<u>141,683</u>
Current assets			
Inventories		17,931	23,604
Trade, prepayments and other receivables	8	178,069	197,268
Financial assets at fair value through other comprehensive income		1,100	–
Restricted cash		27,740	39,053
Cash and cash equivalents		43,192	36,098
		<u>268,032</u>	<u>296,023</u>
Total assets		<u>402,995</u>	<u>437,706</u>
Equity			
Equity attributable to the Company's equity holders			
Share capital	9	3,584	3,584
Share premium	9	153,337	153,337
Other reserves	10	(14,998)	(12,895)
Retained earnings		83,835	76,145
		<u>225,758</u>	<u>220,171</u>

		As at 31 December	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		84	327
Borrowings		2,981	2,842
		<u>3,065</u>	<u>3,169</u>
Current liabilities			
Trade and other payables	11	119,436	154,494
Contract liabilities	3(b)	1,832	5,316
Current income tax liabilities		3,042	2,744
Borrowings		49,621	51,311
Lease liabilities		241	501
		<u>174,172</u>	<u>214,366</u>
Total liabilities		<u>177,237</u>	<u>217,535</u>
Total equity and liabilities		<u>402,995</u>	<u>437,706</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 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, KY-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 since 18 December 2019.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 28 March 2023.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 as set out below. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements 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.

(a) New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards		Effective for reporting periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022

(b) New and amended standards not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards		Effective for reporting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Annual Improvements to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Int 5 (2020)	Presentation of Financial the Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3. 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	
	2022	2021
	RMB'000	RMB'000
Commercial concrete	190,031	223,280
PHC piles	126,563	261,038
Ceramsite concrete block	9,571	4,054
	326,165	488,372

(b) **Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Commercial concrete	1,180	414
PHC piles	471	4,602
Ceramsite concrete block	181	300
	<u>1,832</u>	<u>5,316</u>

Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the respective years related to carried-forward contract liabilities.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>5,316</u>	<u>5,129</u>

4. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	244,996	411,205
Changes in inventories of finished goods	3,823	(9,682)
Employee benefit expenses	15,330	16,403
Outsourcing labour costs	13,691	17,102
Depreciation of property, plant and equipment	15,122	13,008
Amortization charges	148	92
Freight charges	4,840	6,366
Utilities	8,087	11,196
Consulting fees	1,964	1,932
Business tax and surcharges	1,746	1,485
Maintenance costs	1,403	2,139
Auditors' remuneration – audit services	1,150	1,180
Provision for write-down of inventories	612	–
Others	5,049	6,634
	<u>317,961</u>	<u>479,060</u>

5. FINANCE COSTS – NET

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
– Interest income from bank deposits	<u>385</u>	<u>95</u>
Finance costs:		
– Interest expenses on bank borrowings	(2,520)	(1,148)
– Interest expense on leases	<u>(36)</u>	<u>(35)</u>
	<u>(2,556)</u>	<u>(1,183)</u>
Finance costs – net	<u><u>(2,171)</u></u>	<u><u>(1,088)</u></u>

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	2,980	2,683
Deferred income tax		
– PRC corporate income tax	<u>626</u>	<u>(1,660)</u>
	<u><u>3,606</u></u>	<u><u>1,023</u></u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, is exempted from payment of Cayman Islands income tax.

The subsidiaries incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands are exempted from payment of British Virgin Islands income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5% (2021: 16.5%). Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes. All of the subsidiaries of the Group in mainland China, are subjected to corporate income tax rate of 25% (2021: 25%) for year 2022.

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 year ended 31 December 2022.

According to the CIT Law, starting from 1 January 2008, 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. No provision for withholding tax was made by the Group as at 31 December 2022.

As at 31 December 2022, deferred income tax liabilities of RMB10,059,000 (2021: RMB10,170,000) 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.

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	
	2022	2021
	RMB’000	RMB’000
Profit before income tax	12,570	2,736
Tax calculated at tax rates applicable to profits of the respective subsidiaries	3,714	2,429
– Expenses not deductible for tax purposes	163	206
– Research and development expenditure super deduction	(1,103)	(1,917)
– Adjustments for current tax of prior year	460	–
– Deferred tax not accounted for taxable losses	372	305
	3,606	1,023

The effective income tax rate was 29% (2021: 37%) for the year ended 31 December 2022.

7. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2021 and 2022 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years.

	Year ended 31 December	
	2022	2021
Profit attributable to equity holders of the Company (RMB’000)	8,964	1,713
Weighted average number of shares in issue (in thousands)	400,000	400,000
Basic earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)	0.02	0.00

The Company did not have any potential ordinary shares outstanding during the year. Diluted earnings per share is equal to basic earnings per share.

8. TRADE, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)		
– Third parties	165,250	158,978
Less: provision for impairment of trade receivables	<u>(8,046)</u>	<u>(11,148)</u>
	<u>157,204</u>	<u>147,830</u>
Other receivables		
– Entrusted loan (b)	5,430	–
– Other deposits	3,855	811
– Excess of input over output value added tax	–	45
– Others	<u>798</u>	<u>372</u>
	<u>10,083</u>	<u>1,228</u>
Less: allowance for impairment of other receivables	<u>(81)</u>	<u>(81)</u>
	<u>10,002</u>	<u>1,147</u>
Prepayments for purchase of raw materials, plant and machinery		
– Third parties	<u>13,526</u>	<u>32,731</u>
Less: non-current portion of prepayments for purchase of property, plant and equipment	<u>(2,663)</u>	<u>–</u>
	<u>10,863</u>	<u>32,731</u>
Notes receivable		
– Third parties	<u>–</u>	<u>15,560</u>
	<u>178,069</u>	<u>197,268</u>

(a) Trade receivables

Trade receivables arise 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 a strategic customer 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 2021 and 2022 based on sales occurrence date is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	27,102	37,478
1 month to 6 months	86,678	79,231
6 months to 1 year	40,627	19,296
1 year to 2 years	9,475	19,387
Over 2 years	1,368	3,586
	165,250	158,978

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 year, the expected credit loss rates are determined according to the provision matrix as follows:

	As at 31 December	
	2022	2021
Within 1 month	1%	0%
1 month to 6 months	2%	2%
6 months to 1 year	6%	11%
1 year to 2 years	21%	65%
Over 2 years	100%	100%

Movements in the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	11,148	4,486
(Reversal of)/provision for impairment recognised during the year	(3,102)	6,662
At the end of the year	8,046	11,148

Movements in the provision for impairment of other receivables are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	81	101
Receivables written off during the year as uncollectible	–	(20)
At the end of the year	81	81

(b) Entrusted loan

As at 31 December 2022, the entrusted loan of RMB5,430,000 (2021: Nil) bearing no interest was lent to a third party supplier. The Group has collected part of the entrusted loan subsequently.

The carrying amounts of trade, prepayments and other receivables approximated their fair values as at the balance sheet date.

9. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>Shares</i>	Share capital <i>HK\$</i> <i>RMB'000</i>		Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Authorised:					
As at 31 December 2022 and 2021	1,000,000,000				
Issued and fully paid:					
As at 1 January 2022 and 31 December 2022	400,000,000	4,000,000	3,584	153,337	156,921
As at 1 January 2021	400,000,000	4,000,000	3,584	161,574	165,158
Dividend paid	–	–	–	(8,237)	(8,237)
As at 31 December 2021	400,000,000	4,000,000	3,584	153,337	156,921

10. OTHER RESERVES

	Statutory reserves <i>RMB'000</i>	Currency translation reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022	14,479	(4,414)	(22,960)	(12,895)
Currency translation differences	–	(3,377)	–	(3,377)
Appropriation of statutory reserves	1,274	–	–	1,274
As at 31 December 2022	15,753	(7,791)	(22,960)	(14,998)
As at 1 January 2021	13,491	(5,325)	(22,960)	(14,794)
Currency translation differences	–	911	–	911
Appropriation of statutory reserves	988	–	–	988
As at 31 December 2021	14,479	(4,414)	(22,960)	(12,895)

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.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Third parties	<u>86,602</u>	<u>110,391</u>
Notes payable	27,740	39,053
Accrued payroll	1,782	2,447
Other tax payables	1,370	1,044
Other payables	<u>1,942</u>	<u>1,559</u>
	<u>119,436</u>	<u>154,494</u>

Trade and other payables are denominated in RMB.

An ageing analysis of trade payables as at 31 December 2021 and 2022 based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 1 month	52,384	59,356
1 month to 6 months	23,918	45,503
6 months to 1 year	4,553	2,717
1 year to 2 years	5,083	2,529
Over 2 years	<u>664</u>	<u>286</u>
	<u>86,602</u>	<u>110,391</u>

The carrying amounts of trade and other payables approximated their fair value as at the balance sheet date.

12. DIVIDEND

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim dividend	–	8,237
Proposed final dividend	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>8,237</u>

No dividend has been paid or declared by the Company during six months ended 30 June 2022 (six months ended 30 June 2021: HK\$10,000,000 (approximately RMB8,237,000)).

On the board meeting of the Company held on 28 March 2023, the Board of Directors did not recommend to declare final dividend in respect of the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We manufacture and sell PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile), commercial concrete and ceramsite concrete block 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 **TALAM** and the PHC piles, commercial concrete and ceramsite concrete block are primarily used in buildings and infrastructure projects. During the year ended 31 December 2022, our products were mainly sold to property developers and construction companies in Jiangsu Province.

In 2022, challenges and uncertainties presented by the international environment coupled with the frequent spread of epidemic outbreaks in the PRC implied that the Group was exposed to a multitude of macro risks. Fierce market competition, high opening prices and low closing prices associated with higher risk. The Group took a prudent approach and focused on risk control in accepting orders by screening out projects with high risk and low profit margins, as well as placing proactive efforts in improving overall efficiency and effectiveness, and continued cost control at all levels.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB162.2 million, or approximately 33.2%, from approximately RMB488.4 million for the year ended 31 December 2021 to approximately RMB326.2 million for the year ended 31 December 2022. The decrease in revenue was mainly due to the low level of infrastructural and related economic activities, which weakened the demand for products of the Group, resulting from the implementation of strict COVID-19 control measures.

Gross Profit

Our gross profit decreased by approximately RMB9.1 million, or approximately 17.5%, from approximately RMB52.0 million for the year ended 31 December 2021 to approximately RMB42.9 million for the year ended 31 December 2022. Our gross profit margin increased from approximately 10.6% for the year ended 31 December 2021 to approximately 13.1% for the year ended 31 December 2022. Our gross profit margin increased by approximately 2.5% as a result of the general decrease in the prices of major raw materials and benefiting from the Group's proactive efforts in promoting improvement in overall efficiency and effectiveness.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately RMB0.5 million, or approximately 12.2%, from approximately RMB4.1 million for the year ended 31 December 2021 to approximately RMB4.6 million for the year ended 31 December 2022.

Administrative Expenses

Our administrative expenses decreased by approximately RMB8.4 million, or approximately 21.8%, from approximately RMB38.5 million for the year ended 31 December 2021 to approximately RMB30.1 million for the year ended 31 December 2022. The decrease was benefiting from the Group's proactive efforts in implementing effective cost and expenses control measures.

Annual Results

Our profit for the year ended 31 December 2022 increased by approximately RMB7.3 million, or approximately 429.4%, from approximately RMB1.7 million for the year ended 31 December 2021 to approximately RMB9.0 million for the year ended 31 December 2022.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group employed approximately 53 full-time employees and 96 outsourced workers (2021: approximately 51 full-time employees and 152 outsourced workers).

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. 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 the Group. The Group provided employers' liability insurance including work injury and medical insurance to both our employees and the outsourced workers.

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

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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's overall funding and treasury activities are currently managed and controlled by the Directors. The Directors 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 requirements.

The Group maintained cash and bank balances of approximately RMB43.2 million as at 31 December 2022 (2021: approximately RMB36.1 million).

As at 31 December 2022, the Group's borrowings amounted to approximately RMB52.6 million (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 year ended 31 December 2022. As at 31 December 2022, the gearing ratio, calculated as total borrowings divided by total equity, was 23.3% (2021: 24.6%).

As at 31 December 2022, the current ratio (current assets/current liabilities) was 1.5 (2021: 1.4) and the net current assets amounted to approximately RMB93.9 million (2021: approximately RMB81.8 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes to the consolidated financial statements of the annual report to be published by the Company.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and affiliated companies.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had no capital commitments in respect of acquisitions of property, plant and equipment (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liabilities (2021: Nil).

PLEDGE OF ASSETS

As at 31 December 2022, the Group's buildings of RMB22,766,000 (2021: RMB23,378,000) and land use rights of RMB11,349,000 (2021: RMB11,629,000) were pledged as collateral for the Group's borrowings.

PROSPECTS

Despite a very challenging environment for the Group's operations over the past year, we remain optimistic and anticipate that better times lie ahead. The Directors will endeavour to leverage the Group's resources effectively and formulate strategies and plans to navigate through these unprecedented periods and capture viable business opportunities, contributing to sustainable long term growth.

Customer demand for high quality building materials has remained relatively resilient, and the Group has been working productively over the past year to ensure that it is ready to meet customer demand as it rises again. Heading to 2023, the Group will maintain its prudent approach towards sustaining market share and preserving capital. We will work tirelessly to enhance our products and service offerings to ensure customer satisfaction. The Group will at the same time explore new business and investment opportunities that may diversify the Group's business and generate additional returns to the shareholders, while prudently assessing the risks associated with pursuing such opportunities.

Furthermore, the Group will continue leveraging its expertise in manufacturing building materials and adhering to the principle of "Building solid foundations to define the future".

ENVIRONMENTAL PROTECTION

The Group is highly aware of the importance of environment protection and is committed to supporting environmental sustainability. Being a PHC piles, concrete and ceramsite concrete block manufacturer in the PRC, dust, waste water, noise and different sorts of pollutants are generated during our production processes.

The Group has not noted any material incompliance with all relevant laws and regulations in relation to its business, including air and noise pollution, discharge of waste and water, health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste. In addition, discussion on the Group's detailed environmental policies and performance are contained in the environmental, social and governance report of the Company for the year ended 31 December 2022 to be published by the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements and have compliance procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The Group's operation is carried out in the PRC while the Company itself is incorporated in Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and the PRC.

During the year ended 31 December 2022 and up to the date of this announcement, to the best knowledge of the Company, the Group has complied with relevant laws and regulations that have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are key to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also devotes ongoing efforts in providing adequate training and development resources to the employees.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfies the needs and requirements of the customers. The Group has established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. The list below is not exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that affects the Group's profitability or its ability to meet 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 exposures to ensure appropriate measures are implemented on a timely and effective manner.

Business Risk

The business of the Group is highly dependent on the performance of the PRC property market. The property market downturn in China, the recurrence of the COVID-19 pandemic and the complex evolution of the global environment could adversely affect the Group's business, results of operations and financial position.

Interest Rate Risk

The Group's interest rate risk arises from borrowings. 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 year ended 31 December 2022.

Foreign Exchange Risk

Operations of the Group was mainly conducted in RMB and Hong Kong dollars ("HK\$"). At 31 December 2022, the Group's major non-RMB denominated assets and liabilities included property, plant and equipment, 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 our 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.

Liquidity Risk

Liquidity risk is the uncertainty arising from the Group being unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the Group has the ability to finance its Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The Group identifies and assesses key operational exposures regularly so that appropriate risk response can be taken. However, accidents may occur despite the fact that systems and procedures were set up for prevention, which may lead to financial loss, litigation or damage in reputation.

Investment Risk

Investment risk can be defined as the possibility of losses relative to the expected return on any particular investment. A key feature of investment framework to balance risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence to meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel based on factors such as market rates, responsibility, job complexity as well as the Group's performance. The Group has also adopted a share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

CORPORATE GOVERNANCE

The Company's shares (the "**Shares**") have been listed on the Stock Exchange since 18 December 2019. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. 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. Save as disclosed below under the section headed "Chairperson and Chief Executive Officer" of this announcement, the Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2022 (the "**Reporting Period**"). 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.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairperson and the chief executive officer 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 as set out in Appendix 10 to the Listing Rules (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 Reporting Period.

AUDIT COMMITTEE

The Audit Committee has three members comprising of Mr. Lai Chun Yu (Chairman), Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella, all being independent non-executive Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

DIVIDENDS

No interim dividend for the six months ended 30 June 2022 was paid to the Shareholders (30 June 2021: HK2.5 cents per Share).

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

As at the date of this announcement, the Board was not aware of any Shareholders who had waived or agreed to waive any dividends.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2022 which would materially affect the Group's and the Company's operating and financial performance as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the annual general meeting of the Company (the “AGM”) to be held on Friday, 9 June 2023, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 5 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tailamgroup.com) in due course.

By order of the Board

Tailam Tech Construction Holdings Limited

Wong Han Yu Alice

Chairperson, executive Director and chief executive officer

Hong Kong, 28 March 2023

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.