

泰林科建控股有限公司

Tailam Tech Construction Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6193)



泰林科建  
**TAILAM  
TECHCON**

**2022 ANNUAL REPORT**

---

**BUILDING**

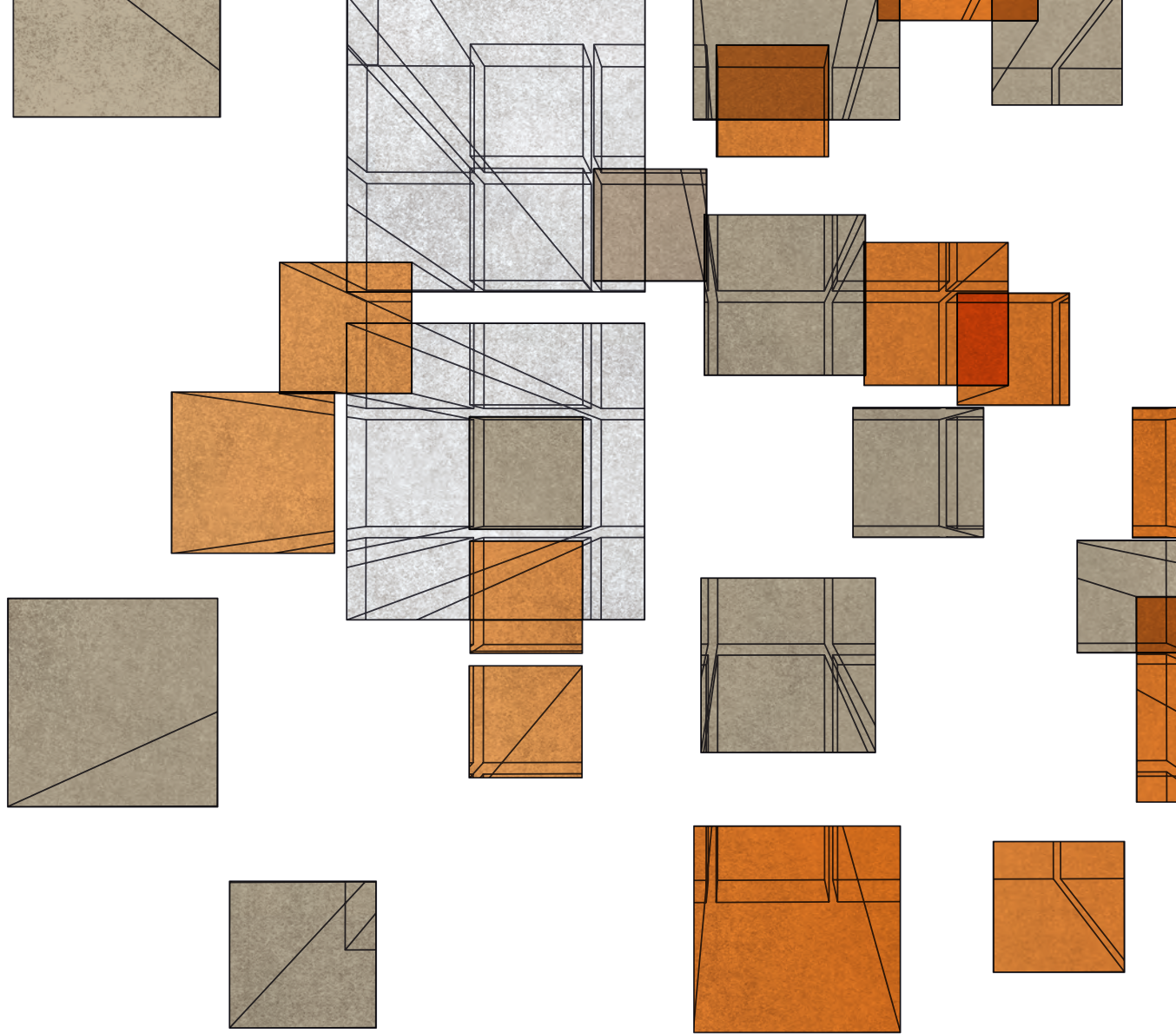
**SOLID**

**FOUNDATIONS**

**TO DEFINE**

**FUTURE**

---



Corporate Information	2
Financial Summary	4
Chairman's Statement	6
Management Discussion and Analysis	10
Directors and Senior Management Profile	15
Report of the Directors	19
Corporate Governance Report	40
Independent Auditor's Report	57
Consolidated Statement of Comprehensive Income	62
Consolidated Balance Sheet	63
Consolidated Statement of Changes in Equity	65
Consolidated Statement of Cash Flows	66
Notes to Financial Statements	67

## CONTENTS



## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Ms. Wong Han Yu Alice (*Chairperson*)  
Mr. Wong Chiu Wai  
Ms. Jiang Yin Juan

#### Non-Executive Director

Mr. Wong Leung Yau

#### Independent Non-Executive Directors

Ms. Wong Siu Yin Rosella  
Mr. Lai Chun Yu  
Mr. Cui Yu Shu

### AUDIT COMMITTEE

Mr. Lai Chun Yu (*Chairperson*)  
Ms. Wong Siu Yin Rosella  
Mr. Cui Yu Shu

### REMUNERATION COMMITTEE

Ms. Wong Siu Yin Rosella (*Chairperson*)  
Ms. Wong Han Yu Alice  
Mr. Cui Yu Shu

### NOMINATION COMMITTEE

Ms. Wong Han Yu Alice (*Chairperson*)  
Ms. Wong Siu Yin Rosella  
Mr. Cui Yu Shu

### JOINT COMPANY SECRETARIES

Ms. Chan Siu Yin  
Ms. Ng Ka Man (appointed on 24 June 2022)  
Ms. Wong Sau Ping (resigned on 24 June 2022)

### AUTHORISED REPRESENTATIVES

Ms. Wong Han Yu Alice  
Ms. Ng Ka Man (appointed on 24 June 2022)  
Ms. Wong Sau Ping (resigned on 24 June 2022)

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1901A  
Shanghai Shimao Building  
No. 55 Wei Fang West Road  
New Pudong District  
Shanghai  
the PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F  
Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

#### Conyers Trust Company (Cayman) Limited

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## CORPORATE INFORMATION

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

#### **Tricor Investor Services Limited**

17/F  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### SOLICITORS

*As to Hong Kong law:*

#### **CFN Lawyers**

**In association with BROAD & BRIGHT**

27/F, Neich Tower  
128 Gloucester Road  
Wan Chai  
Hong Kong

*As to PRC law:*

#### **Beijing Yingke Law Firm Shanghai Office**

Yingke Lawyer Tower  
No. 181, Jiangchang No. 3 Road  
Jing An District  
Shanghai  
the PRC

*As to Cayman Islands law:*

#### **Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### AUDITOR

#### **PricewaterhouseCoopers**

*Certified Public Accountants  
Registered Public Interest Entity Auditor*  
22/F, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### PRINCIPAL BANK

#### **Bank of China (Hong Kong) Limited**

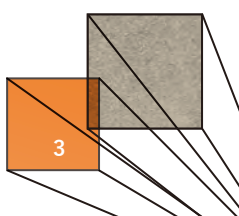
53/F, Bank of China Tower  
1 Garden Road  
Hong Kong

### STOCK CODE

6193

### COMPANY'S WEBSITE

[www.tailamgroup.com](http://www.tailamgroup.com)



# FINANCIAL SUMMARY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	<b>326,165</b>	488,372	431,023	541,070	454,190
Cost of sales	(283,297)	(436,414)	(368,750)	(457,908)	(374,722)
<b>Gross profit</b>	<b>42,868</b>	51,958	62,273	83,162	79,468
Selling and marketing expenses	(4,586)	(4,127)	(2,549)	(1,674)	(3,401)
Administrative expenses	(30,078)	(38,519)	(33,405)	(46,156)	(26,626)
Reversal of/(provision for) impairment losses on financial assets, net	3,102	(6,662)	(3,529)	1,851	(398)
Other income – net	–	–	–	161	482
Other gains/(losses) – net	3,435	1,174	(1,035)	550	(437)
<b>Operating profit</b>	<b>14,741</b>	3,824	21,755	37,894	49,088
Finance costs – net	(2,171)	(1,088)	(682)	(2,419)	(1,970)
<b>Profit before income tax</b>	<b>12,570</b>	(2,736)	21,073	35,475	47,118
Income tax expense	(3,606)	(1,023)	(6,488)	(10,180)	(13,095)
<b>Profit for the year</b>	<b>8,964</b>	1,713	14,585	25,295	34,023
Profit attributable to:					
– Owners of the Company	8,964	1,713	14,585	24,949	31,297
– Non-controlling interests	–	–	–	346	2,726
	<b>8,964</b>	1,713	14,585	25,295	34,023



# FINANCIAL SUMMARY

## CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	134,963	141,683	121,438	64,046	48,070
Current assets	268,032	296,023	236,450	274,507	202,525
Total assets	402,295	437,706	357,888	338,553	250,595
Non-current liabilities	3,065	3,169	–	257	–
Current liabilities	174,172	214,366	132,104	129,074	184,317
Total liabilities	177,237	217,535	132,104	129,331	184,317
Equity attributable to owners of the Company	225,758	220,171	225,784	209,222	55,746
Non-controlling interests	–	–	–	–	10,532
Total equity	225,758	220,171	225,784	209,222	66,278
Total equity and liabilities	402,995	437,706	357,888	338,553	250,595



**CHAIRMAN'S  
STATEMENT**









## CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**” or “**our Company**”), I am pleased to present the annual results of the Company and its subsidiaries (collectively the “**Group**” or “**our Group**”) for the year ended 31 December 2022 (the “**FY2022**”).

The Group’s operations are mainly located in Jiangsu Province, the People’s Republic of China (the “**PRC**”). 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 Jiangsu region.

The overall business environment remained challenging in 2022, and the national real estate industry experienced unprecedented challenges as it was adversely affected by various factors including but not limited to the recurrence of the COVID-19 pandemic. Weakening demand for building materials, along with fluctuations induced by a host of unforeseen factors such as the complex evolution of the global environment also played a role. According to the statistics of the National Bureau of Statistics of China, during the year, the fixed asset investment (excluding rural households) in the PRC amounted to RMB57.21 trillion, representing an increase of 5.1% over the same period in the last year, among which the nationwide infrastructure investment (excluding electricity) increased by 9.4% period-over-period while the real estate investment decreased by 5.1%.

Despite the challenging circumstances, the Group was able to look decisively at the market and operate prudently and steadily. During the FY2022, due to the continuous implementation of strict COVID-19 control measures, the level of infrastructural and related economic activities was low, which weakened the demand for products of the Group. The Group was particularly prudent and focused on risk control in both the collection of trade receivables and in accepting orders by screening out projects with high risk and low profit margins. In addition, the Group placed proactive efforts in improving overall efficiency and effectiveness, and continued cost control at all levels. As a result, the gross profit margin increased from 10.6% in the year ended 31 December 2021 (the “**FY2021**”) to 13.1% in the FY2022 and the allowance for impairment of trade receivables decreased from approximately RMB11.1 million for the FY2021 to approximately RMB8.0 million for the FY2022. The increase in gross profit margin partially mitigates the effect of the financial year’s revenue decline from approximately RMB488.4 million for the FY2021 to approximately RMB326.2 million for the FY2022, resulting in recording a consolidated profit of approximately RMB9.0 million for the FY2022 as compared to approximately RMB1.7 million for the FY2021.

I am fully confident that the Group’s solid foundation and steady development will allow it to navigate through the challenges ahead. Inspired by our development strategy, we will continue to develop and exploit our competitive advantage to provide more advanced and reliable offerings through continuous technical innovation, allowing us to meet the needs of society and improve the quality of life of various stakeholders. With our dedicated and experienced management team, the Group will continue to assess potential business opportunities in a cautious manner and enhance shareholders’ value in the years to come.

# CHAIRMAN'S STATEMENT



## APPRECIATION

I would like to express my greatest gratitude to the Board, management and staff for their strenuous effort and contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and shareholders (the “**Shareholders**”) for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

Yours faithfully

### **Wong Han Yu Alice**

*Chairperson, Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2023







**MANAGEMENT  
DISCUSSION AND  
ANALYSIS**



# 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 **TAILAM** and both 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 notes 25 and 26 in the consolidated financial statements of this annual report.

## 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).





## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 year 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".

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## DIRECTORS

### Executive Directors

**Ms. Wong Han Yu Alice (王嫻俞女士)**, aged 46, is one of the founders of our Group, our controlling shareholder within the meaning of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), chairperson of our Board, an executive Director and the chief executive officer. Ms. Wong is responsible for overall strategic planning and business direction and management of our Group. She has over 16 years of experience in business management and over nine years of experience in concrete supplies industry. Since June 2011, Ms. Wong has successively served various roles in our Group, including, among others, a director of Jiangsu Tailam Construction Co., Ltd.\* (江蘇泰林建設有限公司), an indirect wholly-owned subsidiary of the Company, (“**Jiangsu Tailam**”) since June 2011, the director and general manager of Tailam Group Holdings Limited, an indirect wholly-owned subsidiary of the Company, (“**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 Shanghai Elite Trading Co., Ltd.\* (上海百易達貿易有限公司) since October 2007, where she was mainly responsible for the overall management of the company. 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 (a non-executive Director), eldest sister of Mr. Wong Chiu Wai (an executive Director) and sister-in-law of Ms. Chan Siu Yin (a joint company secretary of our Company).

**Mr. Wong Chiu Wai (王朝緯先生)**, aged 37, is our executive Director and general manager. Mr. Wong is responsible for overseeing the overall management and operations of our Group. Mr. Wong has ten 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 a 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 (a non-executive Director), younger brother of Ms. Wong Han Yu Alice (an executive Director) and spouse of Ms. Chan Siu Yin (a joint company secretary of our Company).



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Ms. Jiang Yin Juan (蔣銀娟女士)**, aged 70, is our executive Director and internal control director. Ms. Jiang joined our Group in September 2014 and had served as the financial director of Jiangsu Tailam since then and also served as the chief financial officer of the Group until June 2022. She was re-designated as an internal control director in June 2022 to oversee internal control matters of our Group. 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 a certified public valuer since December 2002 and August 1997 respectively.

Ms. Jiang possesses over approximately 40 years' experience in the accounting and financial management. From 1973 to 2014, she worked for several companies in accounting related field. She served as an accountant in Shanghai Xinyi Telecom Part Products Factory\* (上海新益電訊零件產品廠) from February 1973 to December 1987. Ms. Jiang held the position of accounting supervisor of 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 an audit appraiser.

### Non-executive Director

**Mr. Wong Leung Yau (王良友先生)**, aged 72, 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 a 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. 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 is the father of Ms. Wong Han Yu Alice (an executive Director), Mr. Wong Chiu Wai (an executive Director) and father-in-law of Ms. Chan Siu Yin (a joint company secretary of our Company).

### Independent Non-executive Directors

**Mr. Cui Yu Shu (崔玉舒先生)**, aged 38, 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.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

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 and qualified independent director 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 47, appointed as our independent non-executive Director 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). From February 2018 to September 2022, Mr. Lai 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 delisted from the Stock Exchange on 21 March 2022 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 Energy Limited (普星能量有限公司)) (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
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
Kwung's Holdings Limited (a company listed on the Stock Exchange with stock code: 1925)	Original design manufacturer and supplier of home decoration products	Independent non-executive director from 16 December 2019 to present

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 in January 2004 and June 2010, respectively.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Ms. Wong Siu Yin Rosella (黃小燕女士)**, aged 63, 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. Ms. Wong currently serves as the executive advisor 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 Laws from Renmin University of China (中國人民大學) in June 2005.

### SENIOR MANAGEMENT

**Ms. Lo Pik Ling (盧碧玲女士)**, aged 38, is our financial controller. Ms. Lo is responsible for accounting, financial, taxation and corporate compliance of our Group. Ms. Lo holds a bachelor's degree of business administration from the Hong Kong University of Science and Technology and is a practising member of the Hong Kong Institute of Certified Public Accountants.

Ms. Lo has over 13 years of experience in auditing, accounting, finance, corporate compliance and company secretarial matters. She joined our Group in 2020 as the finance and administration manager and was subsequently promoted to the position of the financial controller in June 2022. Prior to joining the Group, Ms. Lo had worked for an international accounting firm, BDO Limited, providing assurance services and a consultancy company in Hong Kong responsible for providing pre-IPO consultancy services and corporate compliance.

\* For identification purpose only

# REPORT OF THE DIRECTORS

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 March 2019. The registered office address 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 PHC piles, commercial concrete and ceramsite concrete board in the PRC. Ms. Wong Han Yu Alice (“**Ms. Wong**”) is the ultimate controlling shareholder of the Company.

The shares of the Company were first listed on the Main Board of the Stock Exchange on 18 December 2019 (the “**Listing Date**”) by way of placing and public offer of an aggregate of 79,000,000 ordinary shares of the Company of HK\$0.01 each (the “**Shares**”) at a final offer price of HK\$1.30 per Share.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are manufacturing and sale of PHC piles, commercial concrete and ceramsite concrete block in the PRC. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a business review of the Group, a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 10 to 14 of this annual report. This discussion forms part of this directors’ report.

An analysis of the Group’s performance during the year using financial key performance indicators can be found in the Financial Summary set out on pages 4 and 5 of this annual report.

## RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 62 of this annual report.





## REPORT OF THE DIRECTORS

### DIVIDEND POLICY AND DIVIDENDS

The Company adopted a dividend policy, according to which the 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 Act, the articles of association of the Company (the “**Articles of Association**”) as well as any applicable laws. The Company does not have any pre-determined payout ratio.

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 annual report, the Board was not aware of any Shareholders who had waived or agreed to waive any dividends.

### 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.

# REPORT OF THE DIRECTORS

## Foreign Exchange Risk

Operations of the Group was mainly conducted in Renminbi (“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.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 4 to 5 of this annual report. This summary does not form part of the audited financial statements.



## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, sales to the Group's five largest customers accounted for approximately 39% of the total sales and sales to the largest customer included therein amounted to approximately 18%. Purchases from the Group's five largest suppliers accounted for approximately 36% of the total purchase for the year ended 31 December 2022 and purchase from the Group's largest supplier included therein amounted to approximately 21%.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of number of the Company's issued share) had any beneficial interest in the Group's five largest customers and suppliers.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2022 are set out in note 14 to the financial statements.

### SHARE CAPITAL

Details of movements in the Company's share capital and share premium during the year ended 31 December 2022 are set out in note 23 to the financial statements.

### RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had reserves amounting to approximately RMB135.8 million (2021: approximately RMB141.0 million) available for distribution as calculated based on the Company's share premium and accumulated losses under applicable laws in the Cayman Islands.

### BORROWINGS

Details of movements in the borrowings of the Group during the year ended 31 December 2022 are set out in note 26 to the financial statements.

# REPORT OF THE DIRECTORS

## 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 non-compliance 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 (the "ESG Report") for the year ended 31 December 2022. ESG Report was 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)) under the "Investor Relations – Reports & Announcements" section.

## 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. 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 report, 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.





# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

### Executive Directors

Ms. Wong Han Yu Alice (*Chairperson*)

Mr. Wong Chiu Wai

Ms. Jiang Yin Juan

### Non-Executive Director

Mr. Wong Leung Yau

### Independent Non-Executive Directors

Ms. Wong Siu Yin Rosella

Mr. Lai Chun Yu

Mr. Cui Yu Shu

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, 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. In accordance with article 84(2) of the Articles of Association, any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Mr. Wong Chiu Wai, Mr. Wong Leung Yau and Mr. Lai Chun Yu, will hold office as Directors until the forthcoming annual general meeting and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors to be retired and offered for re-election at the forthcoming annual general meeting are contained in the circular to be despatched to the Shareholders.

The Company has received from each of the independent non-executive Directors, namely, Ms. Wong Siu Yin Rosella, Mr. Lai Chun Yu and Mr. Cui Yu Shu, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of them to be independent.

## BIOGRAPHIES OF DIRECTORS

The biographical details of Directors are disclosed in the section headed "Directors and Senior Management Profile" on pages 15 to 18 in this annual report.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2022.

# REPORT OF THE DIRECTORS

## CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed in elsewhere in this annual report, during the financial year ended 31 December 2022, there was no contract of significance between the Company or any of its subsidiaries and any controlling Shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2022.

## DIRECTORS' SERVICE CONTRACTS

Each of our executive Director has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which has been renewed for a term of three years with effect on 19 December 2022 and shall continue thereafter unless and until terminated by either party giving three months' written notice to the other party, subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

Each of our non-executive Director and independent non-executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which has been renewed for a term of three years with effect on 19 December 2022 and shall continue thereafter unless and until terminated by either party giving three months' written notice to the other party, subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board according to the Director's remuneration policy of our Company, which includes, among others, the salaries paid by comparable companies, experience, responsibility, workload, employment conditions and the time devoted to our Group by the relevant Director. Details of the remuneration of the Directors are set out in note 32 to the financial statements. None of the Directors has waived any emoluments for the year ended 31 December 2022.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group as at 31 December 2022.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Director/ chief executive	Nature of interests	Number of Shares <sup>(2)</sup>	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>
Ms. Wong Han Yu Alice	Interest of a controlled corporation <sup>(3)</sup>	228,536,000 (L)	57.13%
Mr. Wong Leung Yau	Interest of a controlled corporation <sup>(4)</sup>	12,000,000 (L)	3.00%

Notes:

1. The issued Shares as at 31 December 2022 was 400,000,000 Shares.
2. The letter "L" denotes the person's long position in the Shares.
3. These Shares are registered in the name of Apax Investment Holdings Limited ("Apax Investment"), which is 72.94% owned by Ms. Wong Han Yu Alice and 27.06% owned by her younger brother, Mr. Wong Chiu Wai (an executive Director). Apax Investment is controlled by Ms. Wong Han Yu Alice as Ms. Wong Han Yu Alice is the sole director of Apax Investment and Ms. Wong Han Yu Alice controls 72.94% of the shareholding of Apax Investment. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
4. These Shares are registered in the name of Megacore Investment Holdings Limited ("Megacore Investment"), which is wholly-owned by Mr. Wong Leung Yau. Under the SFO, Mr. Wong Leung Yau is deemed to be interested in all the Shares registered in the name of Megacore Investment.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2022 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, the persons (not being a Director or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares <sup>(2)</sup>	Approximate percentage of the issued share capital of the Company <sup>(1)</sup>
Apax Investment	Beneficial owner <sup>(3)</sup>	228,536,000 (L)	57.13%
Mr. Ma Wai Kwok	Interest of spouse <sup>(4)</sup>	228,536,000 (L)	57.13%
Glorycore Investment Holdings Limited ("Glorycore Investment")	Beneficial owner <sup>(5)</sup>	25,200,000 (L)	6.30%
Mr. Wang Chao Hong	Interest in a controlled corporation <sup>(5)</sup>	25,200,000 (L)	6.30%
Ms. Ruan Yuhang (阮宇航)	Interest of spouse <sup>(6)</sup>	25,200,000 (L)	6.30%

Notes:

1. The issued share capital of the Company as at 31 December 2022 was 400,000,000 Shares.
2. The letter "L" denotes the person's long position in the Shares.
3. Apax Investment is beneficially owned as to 72.94% by Ms. Wong Han Yu Alice and as to 27.06% by Mr. Wong Chiu Wai. Apax Investment is controlled by Ms. Wong Han Yu Alice as Ms. Wong Han Yu Alice is the sole director of Apax Investment and Ms. Wong Han Yu Alice controls 72.94% of the shareholding of Apax Investment. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
4. 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.
5. 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.
6. 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.

Save as disclosed herein, as at 31 December 2022, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.





# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

The following is a summary of principal terms of the share option scheme (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;

# REPORT OF THE DIRECTORS

- (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.

No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of shares available for issue is 40,000,000 Shares being approximately 10% of the Shares in issue as at the date of this report. The number of options available for grant under the scheme mandate of the Share Option Scheme as at 1 January 2022 and 31 December 2022 was 40,000,000.



## REPORT OF THE DIRECTORS

### 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.

# REPORT OF THE DIRECTORS

## 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 “**Acceptance 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.





## REPORT OF THE DIRECTORS

### 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.

# REPORT OF THE DIRECTORS

## 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;



## REPORT OF THE DIRECTORS

- (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.

# REPORT OF THE DIRECTORS

## 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. The Share Option Scheme will expire on 4 November 2029. As at the date of this annual report, the remaining life of the Share Option Scheme was around six years and eight months.

## 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.





## REPORT OF THE DIRECTORS

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.

# REPORT OF THE DIRECTORS

## 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.

As at the date of this report, no share option has been granted or agreed to be granted by the Company under the Share Option Scheme.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed in the section headed “Share Option Scheme” above, no equity-linked agreements were entered into by the Group, or subsisted at the end of the year ended 31 December 2022.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2022.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.



## REPORT OF THE DIRECTORS

### CONNECTED TRANSACTION

There were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the annual reporting requirement under the Listing Rules for the Reporting Period. The related party transactions in relation to the key management personnel remuneration as disclosed in note 31 to the consolidated financial statements in this annual report are connected transactions exempt from annual reporting, announcement and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

### PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles of Association provides that the Directors or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to the relevant Director or officer of the Company.

Such permitted indemnity provision (as defined in the Hong Kong Companies Ordinance, Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors has been in force throughout the year.

### CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2022, the Group did not make any charitable contributions.

### CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 56 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2022 and at any time up to the date of this annual report.

### MATERIAL LEGAL PROCEEDINGS AND COMPLIANCE

To the best knowledge of our Directors, as at 31 December 2022, 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.

During the year ended 31 December 2022 and up to the date of this report, to the best of knowledge of the Company, the Group has complied with all the relevant laws and regulations.

### AUDIT COMMITTEE

The annual results and the financial statements of the Group and of the Company for the year ended 31 December 2022 together with the notes attached thereto have been reviewed by the audit committee of the Company (the "**Audit Committee**"), which was of the opinion that such statements complied with the applicable Hong Kong Financial Reporting Standards, the Listing Rules and the legal requirements, and that adequate disclosure has been made.

# REPORT OF THE DIRECTORS

## AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting of the Company.

## 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 annual report.

By Order of the Board of

**Tailam Tech Construction Holdings Limited**

**Wong Han Yu Alice**

*Chairperson, Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2023

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2022.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group’s corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules. Saved for the deviation from code provision C.2.1 of the CG Code as disclosed below, the Company has complied with the code provisions during the year ended 31 December 2022.

## CORPORATE CULTURE AND STRATEGY

The Company recognises the importance of corporate culture which defines the qualities and behaviours of our people who help us make our purpose a reality. The Company’s culture is moulded by our values. The Board has established the following values that underpin the Company’s success and guide our actions in achieving continuous and sustainable growth:

1 continuous growth/ sustainable development	2 care for customers/ clients	3 one-step forward	4 innovation
5 developing our people	6 health and safety	7 mutual respect and integrity	8 compliance
9 diversity and equality	10 caring for our environment/ communities	11 internationalism	

The Company will conduct regular review of and adjust (if necessary) our strategies, and diligently monitor the evolving market conditions to ensure prompt and proactive measures will be taken in response to the changes and market needs, thereby fostering the Group’s sustainability.

The Board has satisfied itself that the Company’s established purpose, values and strategies and the Company’s cultures are aligned. The Directors will continue to act with integrity, lead by example, and promote the desired culture of the Group.



# CORPORATE GOVERNANCE REPORT

## RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Daily business operations and administrative functions of the Group are delegated to the management. The Board will conduct periodic review on the cope of delegation of duties and responsibilities. Management should seek approval by the Board prior to signing any material contracts.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

## Composition of the Board

As at the date of this annual report, the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The current members of the Board are listed below:

Name	Position
Ms. Wong Han Yu Alice ( <i>Chairperson</i> )	Chairperson, Executive Director and Chief Executive Officer
Mr. Wong Chiu Wai	Executive Director
Ms. Jiang Yin Juan	Executive Director
Mr. Wong Leung Yau	Non-executive Director
Ms. Wong Siu Yin Rosella	Independent non-executive Director
Mr. Lai Chun Yu	Independent non-executive Director
Mr. Cui Yu Shu	Independent non-executive Director



## CORPORATE GOVERNANCE REPORT

Biography of each Director, including the relationship between Board members, is set out in the section headed “Directors and Senior Management Profile” of this annual report.

During the year ended 31 December 2022, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, as the number of independent non-executive Directors exceeds one third of the number of the Board members. According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the year ended 31 December 2022. The Nomination Committee has assessed their independence having regard to the requirement under Rule 3.13 the Listing Rules. Therefore, the Company considers each of them to be independent.

Except for the family relationship between Ms. Wong Han Yu Alice (our executive Director), Mr. Wong Chiu Wai (our executive Director) and Mr. Wong Leung Yau (our non-executive Director) as disclosed in the biographical details set out in the section headed “Directors and Senior Management Profile” on pages 15 to 18 of this annual report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

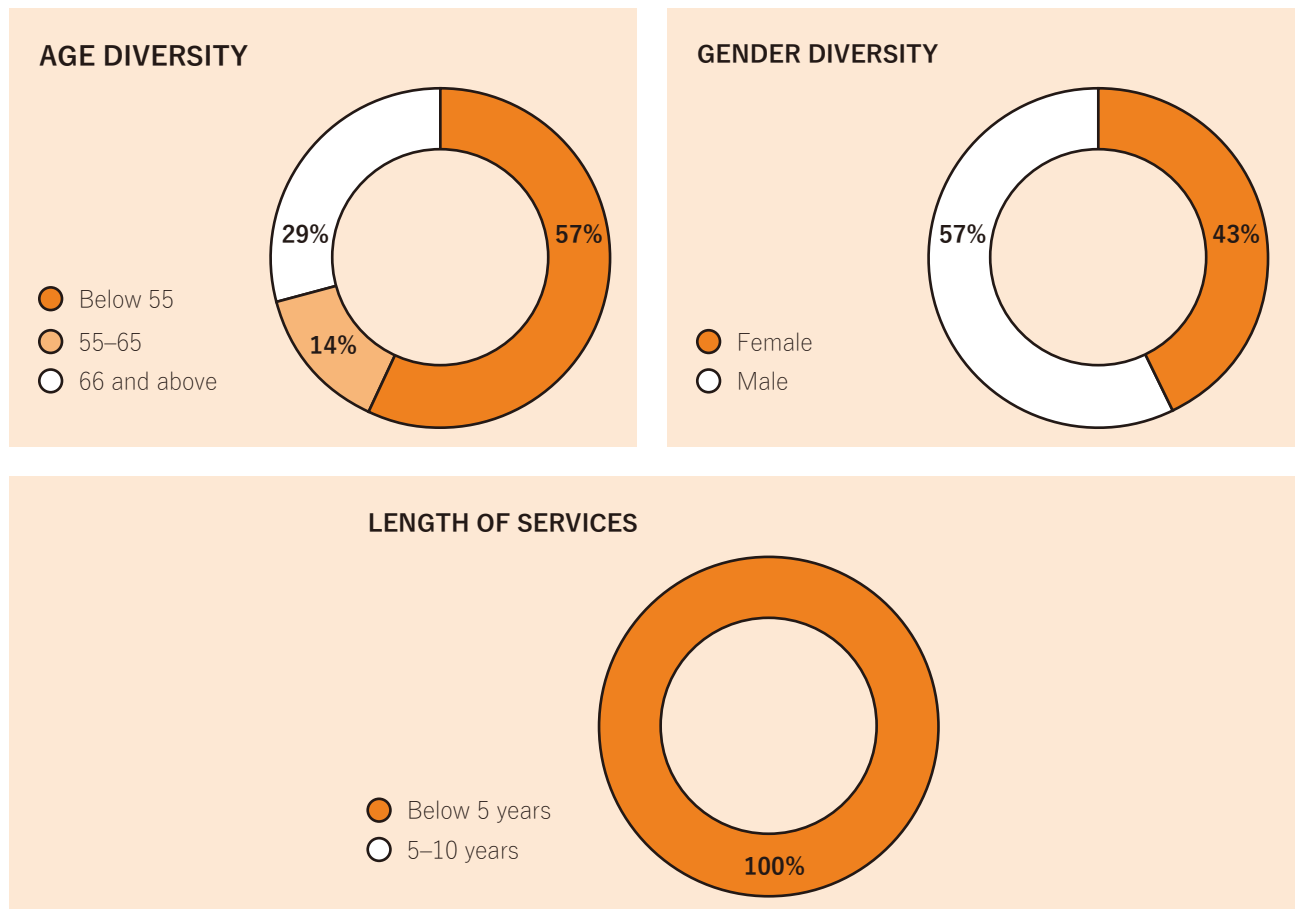
### BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefit of having a diverse board and has adopted a board diversity policy (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.

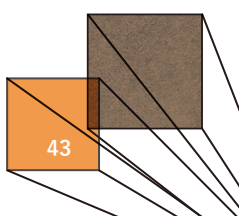
Our Directors (including the independent non-executive Directors) have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, finance, investment, legal, auditing and accounting. All independent non-executive Directors serve on the Audit Committee and two of the three independent non-executive Directors serve on both the Remuneration Committee and the Nomination Committee.

# CORPORATE GOVERNANCE REPORT

Our Board Diversity Policy reinforces the significant role women directors play in the Company and pledges to ensure a strong female representation at Board level. Women Directors made up 42.9% of our Board members as at 31 December 2022. Having considered the overall Board composition and the business needs of the Group, the Company is of the view that gender diversity has been achieved in respect of the Board. The Board Diversity Policy will be reviewed on an annual basis to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.



For the details of the workforce of the Company, please refer to the section headed "Our Workforce" of our ESG Report for the year ended 31 December 2022.



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Each newly appointed Director receives comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefing and professional development for Directors will be arranged whenever necessary.

All Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Reading materials on relevant topics will be provided by the joint company secretaries of the Company to Directors where appropriate.

A summary of the trainings attended by the Directors for the year ended 31 December 2022 is as follows:

Name of Directors	Type of trainings
<b>Executive Directors</b>	
Ms. Wong Han Yu Alice	A & B
Mr. Wong Chiu Wai	A & B
Ms. Jiang Yin Juan	A & B
<b>Non-executive Director</b>	
Mr. Wong Leung Yau	A & B
<b>Independent non-executive Directors</b>	
Ms. Wong Siu Yin Rosella	A & B
Mr. Lai Chun Yu	A & B
Mr. Cui Yu Shu	A & B

Notes:

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

## 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.

# CORPORATE GOVERNANCE REPORT

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 18 December 2019, which has been renewed for a term of three years with effect on 19 December 2022 and shall continue thereafter until terminated by either party giving three months' written notice to the other party, subject to the termination provisions therein. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 18 December 2019, which has been renewed for a term of three years with effect on 19 December 2022 and shall continue thereafter until terminated by either party giving three months' written notice to the other party, subject to the termination provisions therein. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Directors shall have the power from time to time and at any time 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 by the Board 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 by the Board 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.

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, 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 procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and to make recommendation to the Board regarding the appointment, re-election and succession planning of Directors.

## BOARD MEETINGS

The Company adopts the practices of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days (or shorter notice period as agreed by the Directors) are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the Board meetings or Board Committee meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and record.





## CORPORATE GOVERNANCE REPORT

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

The Board met five times during the year ended 31 December 2022. The attendance record of the Board members is set out in the table below:

<b>Directors</b>	<b>Attendance/ No. of meetings held</b>
<b>Executive Directors</b>	
Ms. Wong Han Yu Alice	5/5
Mr. Wong Chiu Wai	5/5
Ms. Jiang Yin Juan	5/5
<b>Non-executive Director</b>	
Mr. Wong Leung Yau	5/5
<b>Independent non-executive Directors</b>	
Ms. Wong Siu Yin Rosella	5/5
Mr. Lai Chun Yu	5/5
Mr. Cui Yu Shu	5/5

### 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 standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2022.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE POLICY AND DUTIES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The summary of their work during the year ended 31 December 2022 is as follows:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## BOARD COMMITTEES

### Audit Committee

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 main duties of the Audit Committee include the following:

1. act as the key representative body for overseeing the Company's relations with the external auditor; to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and deal with any matters regarding its resignation or dismissal; to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
2. review the financial information of the Company, to monitor the integrity of the Company's financial statements, annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them, to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and give due consideration to any matters that have been raised by the Company's employees who are responsible for accounting and financial reporting, compliance officers or auditors; and
3. review the adequacy and effectiveness of the Company's financial controls, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of the Company's accounting, internal audit and financial reporting function, their training programmes and budget) and associated procedures.



# CORPORATE GOVERNANCE REPORT

The Audit Committee's terms of reference are available on the Company's website and the website of the Stock Exchange.

During the year ended 31 December 2022, the Audit Committee had held 2 meetings, the attendance of the members is set out below:

<b>Directors</b>	<b>Attendance/ No. of meetings held</b>
Mr. Lai Chun Yu	2/2
Ms. Wong Siu Yin Rosella	2/2
Mr. Cui Yu Shu	2/2

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management systems. The Audit Committee reported that there was no material uncertainty that casts doubt on the Company's going concern ability.

## Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Ms. Wong Han Yu Alice (Chairman) and two independent non-executive Directors, namely Ms. Wong Siu Yin Rosella and Mr. Cui Yu Shu.

The main duties of the Nomination Committee include the following:

1. review the structure, size, composition and diversity of the Board (including but not limited to the skills, knowledge and experience of the Directors) on a regular basis and make recommendations to the Board regarding any proposed changes of the Board to complement the Company's corporate strategy;
2. identify any persons who may be suitable and qualified to become members of the Board and select, or make recommendations to the Board on the selection of, any persons nominated for directorships;
3. assess the independence of independent non-executive Directors;
4. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive office; and
5. perform duties as stipulated by the Board from time to time.

# CORPORATE GOVERNANCE REPORT

In the discharge of its responsibility in item (1), the Nomination Committee takes into consideration, among others, that a diverse Board, with the appropriate qualifications and broad range of expertise relevant to the Company's business, is an essential element in maintaining a competitive advantage in the complex business industry that the Company operates in, and embraces the policy that including and making use of increasing diversity at the board level, which consists of differences in the skills, experience, background, race, gender and other distinctions amongst Directors, is important to achieve effective corporate governance and sustained commercial success of the Company. These differences will be considered in determining the optimum composition of the board and when possible are balanced appropriately.

In addition, in identifying individuals and making recommendations for nominations pursuant to its responsibility in item (2) above, the Nomination Committee considers whether such individuals possess the qualifications, ability and stature that would enable them to effectively fulfill their roles and responsibilities as Directors. The responsibilities of the Nomination Committee in items (1) to (4) above as further set out in its terms of reference form the key principles that constitute the Company's nomination policy.

The Nomination Committee has the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense, and is provided with sufficient resources by the Company to discharge its duties. The Nomination Committee's specific terms of reference are available on request to any Shareholders and are posted on the Company's website and the website of the Stock Exchange.

One meeting was held during the year ended 31 December 2022 for reviewing the structure, size and composition of the Board. Attendance of the members is set out below:

<b>Directors</b>	<b>Attendance/ No. of meetings held</b>
Ms. Wong Han Yu Alice	1/1
Ms. Wong Siu Yin Rosella	1/1
Mr. Cui Yu Shu	1/1

During the year ended 31 December 2022, the Nomination Committee had held one meeting to review the Board's composition, structure and size, assess the independence of the independent non-executive Directors and make recommendations to the Board on re-election of the retiring directors. The Board currently comprises of seven Directors, three of which are female. Our diversity philosophy is to avoid a single gender Board. Two of our Directors are in the age group of 30–39, two in the age group of 40–49, one in the age group of 60–69 and two are above 70. The background of our Directors includes accounting, law, and investment industry. In view of these, the Nomination Committee was of the opinion that the Board consisted of members with diversified gender, age, cultural and education background, professional/business experience, skills and knowledge. No new Director had been appointed during the year.



# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Wong Siu Yin Rosella (Chairman) and Mr. Cui Yu Shu and one executive Director, namely Ms. Wong Han Yu Alice.

The main duties of the Remuneration Committee include the following:

1. make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration;
2. review and approve the remuneration proposals for the Directors and senior management with reference to corporate goals and objectives stipulated by the Board from time to time;
3. determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). Where the Board resolves to approve any remuneration or compensation arrangements with which the Remuneration Committee disagrees, the Board should disclose the reasons for its resolution in its next Corporate Governance Report;
4. make recommendations to the Board on the remuneration of non-executive Directors;
5. for the purpose of determining the remuneration of Directors and employees in relation to the Company, the Remuneration Committee should consider factors including but not limited to salaries paid by comparable companies, time commitment and responsibilities of the Directors/employees, employment conditions elsewhere in the group, and whether the remuneration is commensurate with performance. The Remuneration Committee shall ensure that salary levels are able to attract and retain the Directors who contribute to the operation of the Company and shall also prevent the Company from paying excessive remuneration to Directors;
6. review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
7. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
8. ensure that no Director or any of his/her associates is involved in deciding that Director's own remuneration;
9. with respect to any service contracts of the Directors that require the Shareholders' approval under Rule 13.68 of the Listing Rules, to advise the Shareholders as to whether the terms are fair and reasonable, whether such contracts are in the interests of the Company and its Shareholders as a whole and as to how to vote; and
10. review and/or approve matters relating to share option schemes under Chapter 17 of the Listing Rules.



# CORPORATE GOVERNANCE REPORT

The Remuneration Committee's terms of reference are available on the Company's website and the website of the Stock Exchange.

One meeting was held during the year ended 31 December 2022 to review the remuneration and incentive package of the senior management. Attendance of the members is set out below:

Directors	Attendance/ No. of meetings held
Ms. Wong Siu Yin Rosella	1/1
Ms. Wong Han Yu Alice	1/1
Mr. Cui Yu Shu	1/1

During the year ended 31 December 2022, the Remuneration Committee had held one meeting to review and make recommendations to the Board on the remuneration package of the Directors and the senior management of the Group and assess the performance of executive Directors.

Details of the remuneration of each Director for the year ended 31 December 2022 are set out in the note 32 to the consolidated financial statements in this annual report.

## Remuneration by bands

The remuneration paid or payable to the Directors and senior management (their biographies are set out in pages 15 to 18 of this annual report) during the year ended 31 December 2022 fell within the following bands:

Emolument band	Number of individuals
HK\$1,000,001 – HK\$2,100,000	2
Nil – HK\$1,000,000	6

## DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2022.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

As at 31 December 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The statements by external auditor, PricewaterhouseCoopers, Certified Public Accountants, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in pages 57 to 61 of this annual report.



## CORPORATE GOVERNANCE REPORT

### MECHANISMS ENSURING INDEPENDENT VIEWS AVAILABLE TO THE BOARD

Independence is generally regarded as the key to fair and integrity. The Company recognizes its importance and has established mechanisms to ensure independent views and input are available to the Board (the “**Mechanisms Ensuring Independent Views**”). Pursuant to the Mechanisms Ensuring Independent Views, we seek to ensure that a strong independent element on, and independent views and input are available to the Board through a number of mechanisms, including but not limited to the composition of the Board and Board committees, independence assessment, Board decision making, compensation, assessment of independent professional advice and opinions, availability of information and access to senior management.

The Board shall, or may designate a board committee to, make an annual review of the implementation and effectiveness of such mechanisms.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining adequate risk management and internal control systems to safeguard Shareholders’ investments and Company’s assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to policies and procedures on revenue and purchase, treasury and risk management, etc.

The internal audit department, which is independent to the Company’s daily operations and accounting functions, is responsible for establishing the Group’s internal control framework, covering all material controls including financial, operational and compliance controls.

The internal audit department also formulates the internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the management on any key findings and progress of the internal audit process.

The Audit Committee which comprises all the independent non-executive Directors has the duties to, among other things, review the risk management and internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements.

In addition, the executive Directors have attended external continuous training sessions relating to corporate governance to further enhance their knowledge on various on-going obligations and duties of a listed issuer and its directors under the Listing Rules and the Hong Kong Code on Takeovers and Mergers.

The external auditor, in the course of their audit, obtained an understanding of internal controls relevant to the Group’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control. Any significant deficiencies noted during the course of the audit in such internal controls relevant to audit of the Group’s consolidated financial statements will be reported to the Audit Committee at least once a year. After due and careful inquiries, the Audit Committee and the Board considered the policies and procedures of internal control covering all material controls including financial, operational and compliance controls and risk management system are effective and adequate and will conduct ongoing review on the effectiveness of the system. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions as well as the performance and reporting of environmental, social and governance to be adequate. The Board is of the opinion that there is neither material failure of risk control, nor has it identified any major weakness in risk control. The Audit Committee also considered, after due and careful inquiries, that the Company has complied with the internal control system and the relevant accounting, financial and Listing Rules requirements.

# CORPORATE GOVERNANCE REPORT

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems in respect of the year ended 31 December 2022, and is satisfied that such systems are effective and adequate.

## EXTERNAL AUDITORS' REMUNERATION

For the year ended 31 December 2022, the auditors' remuneration of the Group are listed below:

Type of Service	Amount RMB
Audit related services	1,180,000
Non-audit related services	Nil

## JOINT COMPANY SECRETARIES

Ms. Chan Siu Yin ("**Ms. Chan**") was appointed as a joint company secretary on 14 March 2019. She is responsible for giving advices to the Board regarding the corporate governance, ensure that the Board procedures and all applicable laws are followed, facilitating communications among Directors as well as with management.

In order to enhance the corporate governance and ensure compliance with the Listing Rules, the laws and regulations applicable in Hong Kong, the Group also appointed Ms. Wong Sau Ping ("**Ms. Wong**"), as our joint company secretary with effect from 14 March 2019. Ms. Wong is an associate director of the Listing Services Department of TMF Hong Kong Limited, which is a global corporate services provider. Ms. Wong resigned as the joint company secretaries with effect from 24 June 2022. Ms. Ng Ka Man ("**Ms. Ng**") has been appointed as the joint company secretary on 24 June 2022. Ms. Ng is a manager of the corporate secretarial services listing division of TMF Hong Kong Limited. Ms. Ng has over 15 years of experiences in company secretarial field. She is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. The primary contact person of Ms. Ng at the Company is Ms. Chan.

Pursuant to Rule 3.29 of the Listing Rules, both Ms. Chan and Ms. Ng have confirmed that they have during the year ended 31 December 2022 taken 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.



## CORPORATE GOVERNANCE REPORT

### WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Company has adopted a whistleblowing policy allowing the employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) reporting channels on any suspected improprieties in any matters related to the Group directly addressed to the designated person.

All reported matters will be investigated independently. All information received from a whistleblower and its identity will be kept confidential.

The Board and the Audit Committee will regularly review the whistleblowing policy and mechanism to improve their effectiveness.

### ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Company has adopted an anti-corruption policy which promotes and supports anti-corruption laws and regulations. It provides guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Company is committed to the prevention, deterrence, detection and investigation of all forms of bribery, corruption and related malpractice among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board and the Audit Committee will regularly review the anti-corruption policy and mechanism to ensure their effectiveness.

### COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairperson of the Board as well as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

# CORPORATE GOVERNANCE REPORT

The Company held one general meeting, being the annual general meeting in 2022. The attendance record of the Directors at such meeting is set out in the table below:

<b>Directors</b>	<b>Attendance/ No. of meetings held</b>
<b>Executive Directors</b>	
Ms. Wong Han Yu Alice	1/1
Mr. Wong Chiu Wai	1/1
Ms. Jiang Yin Juan	1/1
<b>Non-executive Director</b>	
Mr. Wong Leung Yau	1/1
<b>Independent non-executive Directors</b>	
Ms. Wong Siu Yin Rosella	1/1
Mr. Lai Chun Yu	1/1
Mr. Cui Yu Shu	1/1

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has also been provided to the shareholders through financial reports and announcements.

The Company has set up a website at ([www.tailamgroup.com](http://www.tailamgroup.com)) as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in 2022 and was satisfied with the implementation and effectiveness of the shareholders communication policy.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Poll results announcement will be posted on the websites of the Company and the Stock Exchange in the manner prescribed by the Listing Rules.





# CORPORATE GOVERNANCE REPORT

## Right to convene an extraordinary general meeting and putting forward proposals

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. General meetings may be held in any part of the world as may be determined by the Board.

Any one or more Shareholders holding as 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 of the Company shall have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (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.

## Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the joint company secretary of the Company.

## ENQUIRIES

Shareholders, investors and interested parties can put forward enquiries or requests as mentioned above to the Company through the following means:

By e-mail: (General) [info@tailamgroup.com](mailto:info@tailamgroup.com)  
(Investor Relations) [ir@tailamgroup.com](mailto:ir@tailamgroup.com)  
Telephone number: +852 3499 1499

## CHANGE IN CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2022.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the Shareholders of Tailam Tech Construction Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of Tailam Tech Construction Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which set out on pages 62 to 120, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment assessment of trade receivables</b></p> <p>Refer to Note 2.10 “Impairment of financial assets”, Note 3.1.2 “Credit risk”, Note 4 “Critical accounting estimates and judgements” and Note 18 “Trade, prepayments and other receivables” to the consolidated financial statements.</p> <p>The Group’s trade receivables amounted to RMB165 million before the allowance for bad and doubtful debts of RMB8 million as at 31 December 2022. An impairment losses provision for bad and doubtful debts of RMB3 million was reversed and has been included in the consolidated statement of comprehensive income during the year ended 31 December 2022.</p> <p>Loss allowances for trade receivables is based on management’s estimate of the lifetime expected credit losses (“ECL”) by assessing future cash flows of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on historical credit loss experience by aging pattern, credit and settlement history, financial capability of its customers, recent settlements received and the current market situation, and applying them to the receivables held at year end.</p> <p>The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.</p> <p>We identified this as a key audit matter because the carrying amount of trade receivables is significant to the consolidated financial statements and the impairment assessment of trade receivables required significant management judgement and estimates.</p>	<p>In responding to the impairment assessment of trade receivables, we performed the following procedures:</p> <ul style="list-style-type: none"><li>– Obtained an understanding of the management’s internal control over credit risk assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, in particular those over debt collection, credit loss provisioning methodologies used by the Group and estimation of expected credit losses;</li><li>– Discussed with the management to understand the nature and the judgment involved in estimating the expected credit loss provision on trade receivables;</li><li>– Evaluated the appropriateness of the historical period selected by the management for tracking of revenue settlement and the determination of shared credit risk characteristics based on knowledge of the construction industry and the Group’s historical average write-off experience. Tested on a sample basis the reliability of key data used to calculate the historical default rate of customers including historical credit loss experience of customers, past collection, ageing analysis and other relevant data;</li><li>– Assessed and evaluated the reasonableness of the factors used in making forward-looking estimation with assistance from our internal expert, including changes to future macroeconomic indicators, construction industry developments and customer portfolios; and</li><li>– Checked the mathematical accuracy of the ECL calculation.</li></ul> <p>Based on the procedures performed and evidence obtained, we found the management’s judgement and estimates used in relation to the impairment assessment of trade receivables were supported by available evidence.</p>

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 March 2023



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	6	<b>326,165</b>	488,372
Cost of sales	7	(283,297)	(436,414)
<b>Gross profit</b>		<b>42,868</b>	51,958
Selling and marketing expenses	7	(4,586)	(4,127)
Administrative expenses	7	(30,078)	(38,519)
Reversal of/(provision for) impairment losses on financial assets		3,102	(6,662)
Other gains – net	9	3,435	1,174
<b>Operating profit</b>		<b>14,741</b>	3,824
Finance income		385	95
Finance costs		(2,556)	(1,183)
Finance costs – net	10	(2,171)	(1,088)
<b>Profit before income tax</b>		<b>12,570</b>	2,736
Income tax expense	11	(3,606)	(1,023)
Profit for the year attributable to equity holders of the Company		<b>8,964</b>	1,713
<b>Other comprehensive (loss)/income</b>			
Item that may be reclassified to profit or loss			
– Currency translation differences		(3,377)	911
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>		<b>5,587</b>	2,624
<b>Earnings per share</b> (expressed in RMB per share)			
– Basic and diluted	12	<b>0.02</b>	0.00

The notes on pages 62 to 120 are an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	129,677	138,432
Intangible assets	15	442	444
Deferred income tax assets	27	2,181	2,807
Prepayments	19	2,663	–
		<b>134,963</b>	<b>141,683</b>
<b>Current assets</b>			
Inventories	18	17,931	23,604
Trade, prepayments and other receivables	19	178,069	197,268
Financial assets at fair value through other comprehensive income	20	1,100	–
Restricted cash	22	27,740	39,053
Cash and cash equivalents	21	43,192	36,098
		<b>268,032</b>	<b>296,023</b>
<b>Total assets</b>		<b>402,995</b>	<b>437,706</b>
<b>Equity</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	23	3,584	3,584
Share premium	23	153,337	153,337
Other reserves	24	(14,998)	(12,895)
Retained earnings		83,835	76,145
<b>Total equity</b>		<b>225,758</b>	<b>220,171</b>

# CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	16	84	327
Borrowings	26	2,981	2,842
		<b>3,065</b>	3,169
<b>Current liabilities</b>			
Trade and other payables	25	119,436	154,494
Contract liabilities	6(b)	1,832	5,316
Current income tax liabilities		3,042	2,744
Borrowings	26	49,621	51,311
Lease liabilities	16	241	501
		<b>174,172</b>	214,366
<b>Total liabilities</b>		<b>177,237</b>	217,535
<b>Total equity and liabilities</b>		<b>402,995</b>	437,706

The notes on pages 67 to 120 are an integral part of these financial statements.

The consolidated financial statements on pages 62 to 120 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

**Wong Han Yu Alice**  
Director

**Jiang Yin Juan**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000 (Note 23)	Share premium RMB'000	Other reserves RMB'000 (Note 24)	Retained earnings RMB'000	
<b>Balance at 1 January 2021</b>		3,584	161,574	(14,794)	75,420	225,784
<b>Comprehensive income</b>						
Profit for the year		–	–	–	1,713	1,713
<b>Other comprehensive income</b>						
Currency translation differences	24	–	–	911	–	911
<b>Total comprehensive income</b>		–	–	911	1,713	2,624
<b>Transactions with owners of the Company</b>						
Dividends paid	23	–	(8,237)	–	–	(8,237)
Appropriation of statutory reserves	24	–	–	988	(988)	–
		–	(8,237)	988	(988)	(8,237)
<b>Balance at 31 December 2021</b>		3,584	153,337	(12,895)	76,145	220,171
<b>Balance at 1 January 2022</b>		3,584	153,337	(12,895)	76,145	220,171
<b>Comprehensive income</b>						
Profit for the year		–	–	–	8,964	8,964
<b>Other comprehensive income</b>						
Currency translation differences	24	–	–	(3,377)	–	(3,377)
<b>Total comprehensive income</b>		–	–	(3,377)	8,964	5,587
<b>Transactions with owners of the Company</b>						
Appropriation of statutory reserves	24	–	–	1,274	(1,274)	–
		–	–	1,274	(1,274)	–
<b>Balance at 31 December 2022</b>		3,584	153,337	(14,998)	83,835	225,758

The notes on pages 62 to 120 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Operating activities</b>			
Cash generated from/(used in) operating activities	29	24,670	(9,035)
Income tax paid		(2,682)	(3,857)
<b>Net cash generated from/(used in) operating activities</b>		<b>21,988</b>	<b>(12,892)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	14	(10,737)	(30,207)
Purchase of intangible assets	15	(146)	(254)
Proceeds from disposal of property, plant and equipment		1,140	–
<b>Net cash used in investing activities</b>		<b>(9,743)</b>	<b>(30,461)</b>
<b>Financing activities</b>			
Proceeds from bank borrowings		60,444	148,208
Repayments of bank borrowings		(62,398)	(123,555)
Interest paid		(2,520)	(1,148)
Dividend paid		–	(8,237)
Principal elements of lease payments		(539)	(431)
<b>Net cash (used in)/generated from financing activities</b>		<b>(5,013)</b>	<b>14,837</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,232</b>	<b>(28,516)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>36,098</b>	<b>64,569</b>
Effect of exchange rate changes on cash and cash equivalents		(138)	45
<b>Cash and cash equivalents at end of the year</b>		<b>43,192</b>	<b>36,098</b>

The notes on pages 67 to 120 are an integral part of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1 GENERAL INFORMATION

Tailam Tech Construction Holdings Limited (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 “**Listing**”) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures

##### (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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

##### (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 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



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting

#### 2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 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 year 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.

### 2.4 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 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 the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'Finance income and costs – net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other income and 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 for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii. income and expenses for each statement of comprehensive income 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 exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. 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 the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment other than freehold lands is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Land use rights	50 years
– Right-of-use assets	2–5 years
– Buildings	10–26 years
– Machinery	5–10 years
– Transportation equipment	4–5 years
– Office equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/losses – net' in the consolidated statement of comprehensive income.

Construction in progress ("**CIP**") represents buildings, plant, machinery and software under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges and foreign exchange gain/loss arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Intangible assets

#### Computer software

Acquired computer software is 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 (5 years).

### 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.9 Financial assets

#### 2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group'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 OCI. For investments in equity instruments that are not held for trading, 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 (FVOCI).

See Note 17 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Financial assets (Continued)

#### 2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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, financial assets measured at amortised cost, financial assets measured subsequently at fair value through OCI, and financial assets measured subsequently at FVPL.

- 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 gains/(losses) – 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.

The Group's financial assets are measured at amortised cost and at fair value through OCI.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 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, 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 trader 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. See Note 3.1.2 for further details.

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and applicable variable selling expenses.

### 2.12 Trade, notes and other receivables

Trade and notes receivables are amounts due from customers for merchandise sold and service provided in the ordinary course of business. If collection of trade, notes and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade, notes and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, notes and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade, notes and other receivables and impairment policies.

### 2.13 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.

### 2.14 Cash and cash equivalents, restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "restricted cash" on the consolidated balance sheets.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 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 and other payables are classified as current liabilities if payment is due within one year or less. 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.

### 2.16 Borrowings

Borrowings are initially recognised 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 the consolidated statement of comprehensive income 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 12 months after the balance sheet date.

### 2.17 Borrowing costs

General and specific borrowing costs and related exchange gains/(losses) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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 and its 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

Deferred income tax is provided in full, 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. Deferred income tax is also 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 end of the reporting period 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

#### (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.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 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 organized 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 year. 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 when 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 terminations 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 12 months after the end of the reporting period are discounted to present value.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.21 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, PHC piles and ceramist concrete blocks are recognised at a point in time, when a group entity has delivered the goods to the customer; the customer has accepted the goods; and the Group has present right to payment and the collection of the consideration is probable.

### 2.22 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. See Note 10 below for details.





# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Leases

Leases are 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.

The Group leases various offices and staff quarters. Rental contracts are typically made for fixed periods over 12 months, but may have extension options as described below. 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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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. Right-of-use assets related to lease of properties are recorded under property, plant and equipment (Note 14). 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 a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group 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.

To determine the incremental borrowing rate, the Group uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

Depreciation of right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Leases (Continued)

#### Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded at cost as right-of-use assets, which are depreciated over the lease periods using the straight-line method.

Payments associated with short-term leases and leases of low-value assets 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 without a purchase option. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

### 2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

### 2.25 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow 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.

#### 3.1.1 Market risk

##### (i) 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 denominated in Hong Kong Dollars ("HK\$"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in HK\$. 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.

##### (ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. 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.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Post-tax profit (decrease)/increase		
– 100 basis points higher	(371)	(371)
– 100 basis points lower	371	371

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### 3.1.2 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, financial assets at fair value through other comprehensive income represent the Group's maximum exposure to credit risk in relation to financial assets.

While the cash and cash equivalents and notes receivable 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.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forwarding looking estimates based on changes to future macroeconomic indicators, construction industry developments and customer portfolios.

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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### 3.1.2 Credit risk (Continued)

##### Trade receivables (Continued)

As at 31 December 2022 and 2021, the loss allowance provision for trade receivables was determined as follows:

Trade receivables	Within 1 month RMB'000	1 to 6 months RMB'000	6 months to 1 year RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Individual assessment RMB'000	Total RMB'000
<b>As at 31 December 2022</b>							
Expected loss rate	1%	2%	6%	21%	100%	31%	
Gross carrying amount	27,102	86,678	40,627	1,612	54	9,177	165,250
Lifetime ECL	(396)	(1,854)	(2,566)	(332)	(54)	(2,844)	(8,046)
Net carrying amount	26,706	84,824	38,061	1,280	–	6,333	157,204
<b>As at 31 December 2021</b>							
Expected loss rate	0%	2%	11%	65%	100%	27%	
Gross carrying amount	37,430	79,194	18,041	1,428	639	22,246	158,978
Lifetime ECL	–	(1,584)	(1,985)	(928)	(639)	(6,012)	(11,148)
Net carrying amount	37,430	77,610	16,056	500	–	16,234	147,830

##### Other receivables

Other receivables at the end of each reporting period were mainly rental and other deposits. As at 31 December 2022, other receivables included an entrust loan to a supplier, and the entrust loan was collected on 13 March 2023. 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 reporting 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/repayment demanded.

The directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of other receivables.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### 3.1.3 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.

	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
Borrowings, including interest payables	50,643	218	2,876	53,737
Trade and other payables (*)	116,284	–	–	116,284
Lease liabilities	253	94	–	347
	<b>167,180</b>	<b>312</b>	<b>2,876</b>	<b>170,368</b>
<b>As at 31 December 2021</b>				
Borrowings, including interest payables	53,215	987	2,342	56,544
Trade and other payables (*)	151,003	–	–	151,003
Lease liabilities	540	346	–	886
	<b>204,758</b>	<b>1,333</b>	<b>2,342</b>	<b>208,433</b>

\* Excluding non-financial liabilities such as other tax payables and accrued payroll



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables; and financial liabilities including trade and other payables, and borrowings, approximate their fair values. The carrying values less any estimated credit adjustments for financial assets are a reasonable approximation of their fair values.

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's assets and liabilities that are measured at fair value comprised only financial assets at fair value through other comprehensive income of RMB1,100,000 (2021: Nil) as at 31 December 2022 (Level 3).

There were no transfers between Level 1, 2 and 3 during year.

Level 3 financial assets at fair value through other comprehensive income comprise bank acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 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 shareholders 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 total borrowings divided by total equity as shown in the consolidated balance sheets.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings	52,602	54,153
Total equity	225,758	220,171
Gearing ratio	23.3%	24.6%

There is no significant fluctuation in the Group's gearing ratio during the years ended 31 December 2022 and 2021.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4 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 based on changes to future macroeconomic indicators, construction industry developments and customer portfolios. 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 3.1.2 and Note 18.

### (b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and the practice in similar industry. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic useful lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expenses in the future periods.

### (c) 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 current income tax and deferred tax provisions in the year 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. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5 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, 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, accordingly no geographical segment information is presented.

As at 31 December 2022 and 2021, the non-current assets other than deferred income tax assets and non-current portion of prepayments of RMB121,946,000 (2021: RMB130,209,000) and RMB8,173,000 (2021: RMB7,830,000) were located in the mainland China and Hong Kong respectively.

## 6 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 RMB'000	2021 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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

### (b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

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

### 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 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	5,316	5,129

(c) Revenue from major customers who have individually contributed over 10% or more of the total revenue of the Group has been disclosed as below for the year ended 31 December 2022:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Customer A	57,025	40,368

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 7 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials and consumables used	244,996	411,205
Changes in inventories of finished goods	3,823	(9,682)
Employee benefit expenses (Note 8)	15,330	16,403
Outsourcing labour costs	13,691	17,102
Depreciation of property, plant and equipment (Note 14)	15,122	13,008
Amortization charges (Note 15)	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
	<b>317,961</b>	<b>479,060</b>

## 8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	12,723	13,782
Pension costs – defined contribution plans	792	702
Other social security costs, housing benefits and other employee benefits	1,815	1,919
	<b>15,330</b>	<b>16,403</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 8 EMPLOYEE BENEFIT EXPENSES (Continued)

Employees of the Group's PRC subsidiaries are required to participate in the defined contribution retirement schemes administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds to the schemes to fund the retirement benefits of the employees, which are calculated on certain percentage of the employee salaries.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

As at 31 December 2022 and 2021, there were no forfeited contributions available to reduce future contributions.

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2021: three) directors for the year ended 31 December 2022, whose emoluments are disclosed in the analysis shown in Note 33. The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, housing allowances, other allowances and benefits in kind	1,136	1,154

Their emoluments fell within the following band:

	Number of individuals Year ended 31 December	
	2022	2021
Emolument band Nil-HK\$1,000,000	2	2

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 9 OTHER GAINS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Exchange gains/(losses)	3,666	(1,302)
Government grants	448	1,782
Others	(679)	694
	<b>3,435</b>	1,174

Governments grants for the years ended 31 December 2022 and 31 December 2021 mainly represent subsidy offered to the Group in connection with its technology development and epidemic subsidy.

There were no unfulfilled conditions or other contingencies related to these grants.

## 10 FINANCE COSTS – NET

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



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 INCOME TAX EXPENSE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax		
– PRC corporate income tax	2,980	2,683
Deferred income tax (Note 27)		
– PRC corporate income tax	626	(1,660)
	3,606	1,023

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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11 INCOME TAX EXPENSE (Continued)

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 RMB'000	2021 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.

## 12 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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13 SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2021 and 2022:

Company name	Place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Attributable equity interest of the Group as at 31 December 2022	Attributable equity interest of the Group as at 31 December 2021	Principal activities and place of operation	Type of legal entity
<b>Directly owned:</b>						
Tailam Investment Holdings Limited	BVI, 15 March 2019	US\$ 1/ US\$50,000	100%	100%	Investment holding	Limited liability company
<b>Indirectly owned:</b>						
Tailam Group Holdings Limited	Hong Kong, 21 August 2014	HK\$100,000/ HK\$100,000	100%	100%	Investment holding in Hong Kong, the PRC	Limited liability company
TLP Investment Limited	Hong Kong, 21 January 2021	HK\$1/ HK\$1	100%	100%	Property holding in Hong Kong, the PRC	Limited liability company
Pivot Capital Investment Limited	Hong Kong, 28 September 2021	HK\$100/ HK\$100	100%	100%	Investment holding in Hong Kong, the PRC	Limited liability company
Pivot Capital Investment Limited	BVI, 10 August 2021	US\$100/ US\$50,000	100%	100%	Investment holding in Hong Kong, the PRC	Limited liability company
Jiangsu Tailam Construction Co., Ltd	The PRC, 29 June 2011	RMB83,000,000/ RMB83,000,000	100%	100%	Manufacturing and sale of commercial concrete and PHC piles in the PRC	Limited liability company (wholly owned foreign enterprise)
Shanghai Yuanxintai Investment Management Co., Ltd*	The PRC, 1 June 2016	RMB1/ RMB50,000,000	100%	100%	Providing investment and management service in the PRC	Limited liability company

\* The name of the subsidiary represents the best effort by the management of the Group in translating its Chinese name as it do not has an official English name.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14 PROPERTY, PLANT AND EQUIPMENT

	Land use rights RMB'000	Right-of-use assets RMB'000	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Year ended 31 December 2022</b>								
Opening net book amount	13,940	838	64,392	47,969	8,978	1,122	1,193	138,432
Additions	–	–	766	3,119	69	74	4,045	8,073
Transfers	–	–	1,697	–	–	3,541	(5,238)	–
Disposal	(204)	–	(57)	(288)	(1,157)	–	–	(1,706)
Depreciation charge	(346)	(510)	(3,483)	(8,203)	(2,127)	(453)	–	(15,122)
<b>Closing net book amount</b>	<b>13,390</b>	<b>328</b>	<b>63,315</b>	<b>42,597</b>	<b>5,763</b>	<b>4,284</b>	<b>–</b>	<b>129,677</b>
<b>As at 31 December 2022</b>								
Cost	16,582	1,224	76,302	73,718	11,768	5,618	–	185,212
Accumulated depreciation	(3,192)	(896)	(12,987)	(31,121)	(6,005)	(1,334)	–	(55,535)
<b>Net book amount</b>	<b>13,390</b>	<b>328</b>	<b>63,315</b>	<b>42,597</b>	<b>5,763</b>	<b>4,284</b>	<b>–</b>	<b>129,677</b>
<b>Year ended 31 December 2021</b>								
Opening net book amount	11,923	–	54,935	38,599	8,387	1,013	5,152	120,009
Additions	2,357	1,224	9,361	4,667	2,716	358	10,748	31,431
Transfers	–	–	3,266	11,399	–	42	(14,707)	–
Depreciation charge	(340)	(386)	(3,170)	(6,696)	(2,125)	(291)	–	(13,008)
<b>Closing net book amount</b>	<b>13,940</b>	<b>838</b>	<b>64,392</b>	<b>47,969</b>	<b>8,978</b>	<b>1,122</b>	<b>1,193</b>	<b>138,432</b>
<b>As at 31 December 2021</b>								
Cost	16,786	1,224	73,896	70,887	12,856	2,003	1,193	178,845
Accumulated depreciation	(2,846)	(386)	(9,504)	(22,918)	(3,878)	(881)	–	(40,413)
<b>Net book amount</b>	<b>13,940</b>	<b>838</b>	<b>64,392</b>	<b>47,969</b>	<b>8,978</b>	<b>1,122</b>	<b>1,193</b>	<b>138,432</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses were charged to the following categories of expenses:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	11,013	9,330
Administrative expenses	4,068	3,592
Selling and marketing expenses	41	86
	15,122	13,008

As at 31 December 2022, buildings of RMB22,766,000 (2021: RMB23,378,000) were pledged as collateral for the Group's borrowings (Note 26).

As at 31 December 2022, land use rights of RMB11,349,000 (2021: RMB11,629,000) were pledged as collateral for the Group's borrowings (Note 26).

As at 31 December 2022, the ownership certificate was not obtained for the Group's buildings with a net carrying value of RMB2,036,000 (2021: RMB2,196,000). 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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 15 INTANGIBLE ASSETS

	Computer software RMB'000
<b>Year ended 31 December 2022</b>	
Opening net book amount	444
Additions	146
Amortisation	(148)
<b>Closing net book amount</b>	<b>442</b>
<b>As at 31 December 2022</b>	
Cost	868
Accumulated amortisation	(426)
<b>Net book amount</b>	<b>442</b>
<b>Year ended 31 December 2021</b>	
Opening net book amount	282
Additions	254
Amortisation	(92)
<b>Closing net book amount</b>	<b>444</b>
<b>As at 31 December 2021</b>	
Cost	722
Accumulated amortisation	(278)
<b>Net book amount</b>	<b>444</b>

Amortisation of intangible assets has been charged to profit or loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Administrative expenses	70	18
Cost of sales	78	74
	<b>148</b>	<b>92</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16 LEASES

### (a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheet included the following amounts relating to leases:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Right-of-use assets</b>		
Included in property, plant and equipment		
Land use rights (Note 14)	13,390	13,940
Properties (Note 14)	328	838
	<b>13,718</b>	<b>14,778</b>
<b>Lease liabilities</b>		
Current	241	501
Non-current	84	327
	<b>325</b>	<b>828</b>

No additions to the right-of-use assets during the year ended 31 December 2022 (2021: RMB1,224,000).

### (b) Amounts recognised in profit or loss

The consolidated statement of comprehensive income included the following amounts relating to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Amortisation of right-of-use assets	510	386
Interest expense (included in Finance income and costs – net)	36	35
Expense relating to short-term leases (included in administrative expenses)	48	82

The total cash outflow from financing activities for leases for the year ended 31 December 2022 was RMB539,000 (2021: RMB431,000).



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding prepayments)	167,206	164,537
Financial assets at fair value through other comprehensive income	1,100	–
Cash and cash equivalents	43,192	36,098
Restricted cash	27,740	39,053
	<b>239,238</b>	<b>239,688</b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (excluding other tax payables and accrued payroll)	116,284	151,003
Borrowings	52,602	54,153
Lease liabilities	325	828
	<b>169,211</b>	<b>205,984</b>

## 18 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	5,351	7,201
Finished goods	12,580	16,403
	<b>17,931</b>	<b>23,604</b>

During the year ended 31 December 2022, the cost of the Group's inventories recognised as an expense included in cost of sales amounted to RMB240,288,000 (2021: RMB391,622,000), and included in administrative expenses amounted to RMB5,168,000 (2021: RMB9,237,000) which was used for research and development purposes.

The Group provided write-downs of inventories to net realisable value amounting to RMB612,000 (2021: Nil). These were recognised as an expense during the year ended 31 December 2022.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 19 TRADE, PREPAYMENTS AND OTHER RECEIVABLES

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 19 TRADE, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(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 RMB'000	2021 RMB'000
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
	<b>165,250</b>	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. Details of the assessment of expected credit loss are set out in Note 3.1.2.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 19 TRADE, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
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 RMB'000	2021 RMB'000
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.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income as at 31 December 2022 of RMB1,100,000 (2021: Nil) comprise bank acceptance notes.

## 21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	41,466	34,619
– Denominated in HK\$	1,726	1,479
	<b>43,192</b>	36,098

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.

## 22 Restricted cash

Restricted cash represents guarantee deposits for issue of bank acceptances bills (Note 25) and are denominated in RMB.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares Shares	Share capital HK\$ RMB'000		Share premium RMB'000	Total RMB'000
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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24 OTHER RESERVES

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



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25 TRADE AND OTHER PAYABLES

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

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 RMB'000	2021 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	664	286
	<b>86,602</b>	110,391

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26 BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Non-current</b>		
Long-term bank borrowings (Note (a))		
– Secured bank borrowings	3,102	3,018
Less: current portion	(121)	(176)
	2,981	2,842
<b>Current</b>		
Current portion of long-term bank borrowings		
– Secured bank borrowings	121	176
Short-term bank borrowings (Note (b))		
– Secured bank borrowings	29,500	31,635
– Unsecured bank borrowings	20,000	19,500
	49,621	51,311
Total	52,602	54,153

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26 BORROWINGS (Continued)

- (a) As at 31 December 2022, the Group's long-term bank borrowings were secured by the Group's buildings of RMB8,172,000 (2021: RMB7,830,000) (Note 14) located in Hong Kong.

The principal amount of Group's long-term bank borrowings and applicable interest rate are as follows:

	As at 31 December			
	2022		2021	
	Amount	Interest rate	Amount	Interest rate
Secured bank borrowings	HK\$3,493,000	2.2% p.a. over HIBOR	HK\$3,693,000	2.25% p.a. over HIBOR

- (b) As at 31 December 2022, the Group's short-term bank borrowings of RMB29,500,000 was secured by the pledge of the Group's buildings with net book value of RMB14,594,000 (2021: RMB15,548,000) (Note 14) and the Group's land use rights with net book value of RMB11,349,000 (2021: RMB11,629,000) (Note 14).

The applicable interest rates of the Group's short-term bank loans, ranged from 4.2% to 5.5% per annual.

- (c) The Group's bank borrowings are repayable as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	49,621	51,311
Between 1 and 2 years	188	181
Between 2 and 5 years	591	568
Over 5 years	2,202	2,093
	52,602	54,153

- (d) As at 31 December 2022 and 2021, the carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

The Group's borrowings are denominated in RMB and HK\$ as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
HK\$	3,102	4,653
RMB	49,500	49,500
	52,602	54,153

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27 DEFERRED INCOME TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Deferred income tax assets:</b>		
– deferred tax assets to be recovered after more than 12 months	20	31
– deferred tax assets to be recovered within 12 months	2,242	2,983
	2,262	3,014
<b>Deferred income tax liabilities:</b>		
– deferred tax liabilities to be settled after more than 12 months	21	82
– deferred tax liabilities to be settled within 12 months	60	125
	81	207
Deferred income tax assets, net	2,181	2,807

The movement in deferred income tax assets during the year was as follows:

	Allowance on doubtful debts RMB'000	Impairment of inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>As at 31 December 2020</b>	1,147	–	–	1,147
Credited to profit or loss	1,655	–	212	1,867
<b>As at 31 December 2021</b>	2,802	–	212	3,014
Credited/(charged) to profit or loss	(776)	153	(129)	(752)
<b>As at 31 December 2022</b>	2,026	153	83	2,262

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27 DEFERRED INCOME TAX ASSETS (Continued)

(a) (Continued)

The movement in deferred income tax liabilities during the year was as follows:

	Deferred tax liabilities – right-of-use assets RMB'000
<b>As at 31 December 2020</b>	–
Charged to profit or loss	207
<b>As at 31 December 2021</b>	207
Credited to profit or loss	(126)
<b>As at 31 December 2022</b>	81

(b) As at 31 December 2022 and 2021, the Group did not recognise deferred income tax assets of RMB663,000 (2021: RMB291,000) for the tax losses of the Group's entities amounting to RMB3,969,000 (2021: RMB1,765,000), as their recoverability is uncertain.

Deductible losses that are not recognised as deferred tax assets will expire as follow:

	2022 RMB'000	2021 RMB'000
Year 2027	95	–
No expiry date	3,874	1,765
	3,969	1,765

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 28 DIVIDEND

	2022 RMB'000	2021 RMB'000
Interim dividend	–	8,237
Proposed final dividend	–	–
	–	8,237

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).

## 29 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit before income tax</b>	<b>12,570</b>	2,736
Adjustments for:		
– Depreciation of property, plant and equipment (Note 14)	15,122	13,008
– Amortisation of intangible assets (Note 15)	148	92
– Finance costs	2,556	1,183
– (Reversal of)/provision for impairment of trade receivables	(3,102)	6,662
– Provision for write-down of inventories	612	–
– Losses on disposal of property, plant and equipment and right-of-use assets	568	–
	<b>28,474</b>	23,681
<b>Changes in working capital:</b>		
– Restricted cash	11,313	(28,853)
– Inventories	5,061	(10,020)
– Trade and other receivables	21,201	(57,493)
– Trade and other payables	(37,895)	63,463
– Contract liabilities	(3,484)	187
<b>Cash generated from/(used in) operations</b>	<b>24,670</b>	(9,035)

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 29 CASH GENERATED FROM/(USED IN) OPERATIONS (Continued)

### (a) Net debt reconciliation

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	43,192	36,098
Restricted cash	27,740	39,053
Borrowings	(52,602)	(54,153)
Lease liabilities	(325)	(828)
Net debt	18,005	20,170

	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Balances as at 1 January 2021	64,569	10,200	(29,500)	–	45,269
Cash flows	(28,516)	28,714	(23,516)	431	(22,887)
Acquisition of lease	–	–	–	(1,224)	(1,224)
Other changes (i)	45	139	(1,137)	(35)	(988)
Balances as at 31 December 2021	36,098	39,053	(54,153)	(828)	20,170
Balances as at 1 January 2022	36,098	39,053	(54,153)	(828)	20,170
Cash flows	7,232	(11,313)	1,954	539	(1,588)
Acquisition of lease	–	–	–	–	–
Other changes (i)	(138)	–	(403)	(36)	(577)
Balances as at 31 December 2022	43,192	27,740	(52,602)	(325)	18,005

(i) Other changes include accrued interests, foreign currency translation differences and after non-cash movements.

## 30 COMMITMENTS

### Capital commitments

No significant capital expenditure contracted as at the end of the reporting period but not recognised as liabilities.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 31 RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Name	Relationship
Ms. Wong	Ultimate controlling shareholder

### (b) Transactions with related parties

Other than those related party transactions as disclosed elsewhere, there was no related party transaction during the year (2021: same).

### (c) Key management compensations

Compensations to key management of the Group are set out below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries and other employee benefits	4,507	4,685

## 32 BENEFITS AND INTERESTS OF DIRECTORS

As at 31 December 2022, the following directors are appointed:

### Executive directors

Ms. Wong  
Mr. Wong Chiu Wai  
Ms. Jiang Yin Juan

### Non-executive Director

Mr. Wong Leung Yau

### Independent Non-executive Directors

Mr. Lai Chun Yu  
Mr. Cui Yu Shu  
Ms. Wong Siu Yin Rosella



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' and chief executive's emoluments

The directors' emoluments for the year ended 31 December 2022 are as follows:

Name	Salaries RMB'000	Pension costs – defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<b>Executive director</b>				
Ms. Wong	1,776	15	158	1,949
Mr. Wong Chiu Wai	1,416	15	126	1,557
Ms. Jiang Yin Juan	433	–	–	433
	3,625	30	284	3,939
<b>Non-executive Director</b>				
Mr. Wong Leung Yau	257	–	23	280
<b>Independent Non-executive Directors</b>				
Mr. Lai Chun Yu	103	–	–	103
Mr. Cui Yu Shu	80	–	–	80
Ms. Wong Siu Yin Rosella	104	–	–	104
	287	–	–	287
	4,169	30	307	4,506

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

The directors' emoluments for the year ended 31 December 2021 are as follows:

Name	Salaries RMB'000	Pension costs – defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<b>Executive directors</b>				
Ms. Wong	1,723	15	141	1,879
Mr. Wong Chiu Wai	1,373	15	113	1,501
Ms. Jiang Yin Juan	412	–	–	412
	3,508	30	254	3,792
<b>Non-executive Director</b>				
Mr. Wong Leung Yau	250	–	20	270
<b>Independent Non-executive Directors</b>				
Mr. Lai Chun Yu	100	–	–	100
Mr. Cui Yu Shu	100	–	–	100
Ms. Wong Siu Yin Rosella	80	–	–	80
	280	–	–	280
	4,038	30	274	4,342



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

**(b) Directors' retirement benefits**

During the years ended 31 December 2021 and 31 December 2022, 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 2021 and 31 December 2022, 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 year or at any time during the year.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 33 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

### (a) Balance sheet of the Company

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in a subsidiary	13	70,725	70,725
Amount due from a subsidiary		68,473	73,637
		<b>139,198</b>	144,362
<b>Current assets</b>			
Trade and other receivables		124	124
Cash and cash equivalents		77	137
		<b>201</b>	261
<b>Total assets</b>		<b>139,399</b>	144,623
<b>Equity</b>			
Share capital	(b)	3,584	3,584
Share premium	(b)	153,337	153,337
Accumulated losses	(b)	(17,562)	(12,335)
<b>Total equity</b>		<b>139,359</b>	144,586
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables		40	37
<b>Total equity and liabilities</b>		<b>139,399</b>	144,623

The balance sheet of the Company was approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

**Wong Han Yu Alice**  
Director

**Jiang Yin Juan**  
Director

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 33 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

### (b) Reserve movements of the Company

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2021</b>	3,584	161,574	(6,223)	158,935
<b>Comprehensive income</b>				
Loss for the year	–	–	(6,112)	(6,112)
Dividends paid	–	(8,237)	–	(8,237)
<b>At 31 December 2021</b>	3,584	153,337	(12,335)	144,586
<b>At 1 January 2022</b>	3,584	153,337	(12,335)	144,586
<b>Comprehensive income</b>				
Loss for the year	–	–	(5,227)	(5,227)
<b>At 31 December 2022</b>	3,584	153,337	(17,562)	139,359