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## **Tailam Tech Construction Holdings Limited**

**泰林科建控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**(Stock code: 6193)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Corresponding Period**”).

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

*For the six months ended 30 June 2020*

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>177,014</b>	271,274
Cost of sales	6	<b>(150,474)</b>	(226,264)
<b>Gross Profit</b>		<b>26,540</b>	45,010
Selling and marketing expenses	6	<b>(1,022)</b>	(1,404)
Administrative expenses	6	<b>(15,983)</b>	(19,134)
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	6	<b>(873)</b>	251
Other income	7	<b>33</b>	171
Other gains – net	8	<b>661</b>	534
<b>Operating profit</b>		<b>9,356</b>	25,428
Finance costs – net	9	<b>(306)</b>	(1,175)
<b>Profit before income tax</b>		<b>9,050</b>	24,253
Income tax expense	10	<b>(2,333)</b>	(7,740)
<b>Profit for the period</b>		<b>6,717</b>	16,513
<b>Profit attributable to:</b>			
– Owners of the Company		<b>6,717</b>	16,167
– Non-controlling interests		<b>–</b>	346
		<b>6,717</b>	16,513
<b>Profit for the period</b>		<b>6,717</b>	16,513
<b>Other comprehensive income</b>			
– Currency translation differences		<b>459</b>	(297)
<b>Total comprehensive income for the period</b>		<b>7,176</b>	16,216
<b>Total comprehensive income attributable to:</b>			
– Owner of the Company		<b>7,176</b>	15,870
– Non-controlling interests		<b>–</b>	346
		<b>7,176</b>	16,216
<b>Earnings per share (expressed in RMB per share)</b>			
– Basic and diluted	12	<b>0.02</b>	0.05

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Assets</b>	<i>6</i>		
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	<b>65,983</b>	50,327
Intangible assets		<b>103</b>	121
Right-of-use assets		<b>12,168</b>	12,505
Deferred income tax assets		<b>483</b>	1,093
		<hr/> <b>78,737</b>	<hr/> 64,046
<b>Current assets</b>			
Inventories		<b>21,093</b>	18,793
Trade and other receivables	<i>14</i>	<b>158,430</b>	167,730
Restricted cash	<i>15</i>	<b>160</b>	3,431
Cash and cash equivalents		<b>53,244</b>	84,553
		<hr/> <b>232,927</b>	<hr/> 274,507
<b>Total assets</b>		<hr/> <b>311,664</b>	<hr/> 338,553

		As at <b>30 June 2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (Audited)
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	<b>3,584</b>	3,584
Share premium		<b>161,574</b>	161,574
Other reserves		<b>(17,893)</b>	(19,315)
Retained earnings		<b>69,133</b>	63,379
		<hr/>	<hr/>
<b>Total equity</b>		<b>216,398</b>	209,222
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	257
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>71,224</b>	81,312
Loan from a controlling shareholder	<i>18</i>	–	1,216
Contract liabilities	<i>5(b)</i>	<b>2,347</b>	5,853
Current income tax liabilities		<b>1,608</b>	2,155
Borrowings	<i>19</i>	<b>20,000</b>	38,500
Lease liabilities		<b>87</b>	38
		<hr/>	<hr/>
		<b>95,266</b>	129,074
<b>Total liabilities</b>		<b>95,266</b>	129,331
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>311,664</b>	338,553
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 June 2020*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>Balance at 1 January 2020 (Audited)</b>	<b>3,584</b>	<b>161,574</b>	<b>(19,315)</b>	<b>63,379</b>	<b>209,222</b>	<b>-</b>	<b>209,222</b>
<b>Comprehensive income</b>							
Profit for the period	-	-	-	6,717	6,717	-	6,717
<b>Other comprehensive income</b>							
Currency translation differences	-	-	459	-	459	-	459
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>459</b>	<b>6,717</b>	<b>7,176</b>	<b>-</b>	<b>7,176</b>
<b>Transactions with owners of the Company</b>							
Appropriation of statutory reserves	-	-	963	(963)	-	-	-
	-	-	963	(963)	-	-	-
<b>Balance at 30 June 2020 (Unaudited)</b>	<b>3,584</b>	<b>161,574</b>	<b>(17,893)</b>	<b>69,133</b>	<b>216,398</b>	<b>-</b>	<b>216,398</b>
<b>Balance at 1 January 2019 (Audited)</b>	<b>-</b>	<b>-</b>	<b>13,833</b>	<b>41,913</b>	<b>55,746</b>	<b>10,532</b>	<b>66,278</b>
<b>Comprehensive income</b>							
Profit for the period	-	-	-	16,167	16,167	346	16,513
<b>Other comprehensive income</b>							
Currency translation differences	-	-	(297)	-	(297)	-	(297)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(297)</b>	<b>16,167</b>	<b>15,870</b>	<b>346</b>	<b>16,216</b>
<b>Transactions with owners of the Company</b>							
Repurchase of shares from non-controlling interests	-	-	(14,373)	-	(14,373)	(10,878)	(25,251)
Incorporation of the Company	-	-	-	-	-	-	-
Effect of the Reorganisation	170	70,555	(70,725)	-	-	-	-
Capital contribution from a Pre-IPO investor	12	17,142	-	-	17,154	-	17,154
	182	87,697	(85,098)	-	2,781	(10,878)	(8,097)
<b>Balance at 30 June 2019 (Unaudited)</b>	<b>182</b>	<b>87,697</b>	<b>(71,562)</b>	<b>58,080</b>	<b>74,397</b>	<b>-</b>	<b>74,397</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Cash generated from operating activities	10,878	28,501
Income tax paid	(2,388)	(9,638)
	<u>8,490</u>	<u>18,863</u>
<b>Net cash generated from operating activities</b>		
<b>Investing activities</b>		
Purchase of property, plant and equipment	(18,854)	(7,642)
Proceeds from disposal of property, plant and equipment	18	–
	<u>(18,836)</u>	<u>(7,642)</u>
<b>Net cash used in investing activities</b>		
<b>Financing activities</b>		
Receipt of loans from controlling shareholder	–	1,069
Repayment of loans to controlling shareholder	(1,216)	(10,266)
Professional expenses paid in connection with the issuance of new shares during the listing process	(1,266)	(1,174)
Proceeds from bank borrowings	20,000	25,900
Repayments of bank borrowings	(38,500)	(8,000)
Repayment of obligations under finance leases	–	(68)
Interest paid	(408)	(1,215)
Capital contribution from a Pre-IPO investor of the Company	–	17,154
Repurchase of shares from non-controlling interests	–	(25,251)
Lease payments (including interest paid)	(150)	(189)
	<u>(21,540)</u>	<u>(2,040)</u>
<b>Net cash used in financing activities</b>		
<b>Net (decrease)/increase in cash and cash equivalents</b>	(31,886)	9,181
Cash and cash equivalents at 1 January	84,553	33,566
Effect of exchange rate changes on cash and cash equivalents	577	(12)
	<u>53,244</u>	<u>42,735</u>
Cash and cash equivalents at 30 June		

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 1. GENERAL INFORMATION AND REORGANIZATION

### 1.1 General information

The Company was incorporated in the Cayman Islands on 7 March 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the "**PHC piles**") and commercial concrete (the "**Listing Business**") in the People's Republic of China (the "**PRC**"). 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 interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated interim financial statements were approved for issue by the board of directors of the Company on 25 August 2020.

### 1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization (the "**Reorganization**"), the Listing Business was principally operated in the PRC by Jiangsu Tailam Construction Co., Ltd. (formerly known as Jiangsu Tailam Co., Ltd.) ("**Jiangsu Tailam**"), which was a non-wholly owned subsidiary of Tailam Group Holdings Limited ("**Tailam Hong Kong**"). Tailam Hong Kong is an investment holding company incorporated in Hong Kong controlled by Ms. Wong.

In preparation for the Listing, the Reorganization was undertaken pursuant to which Tailam Hong Kong and its subsidiaries were transferred to the Group by way of the following steps:

- (a) On 17 September 2018, Jiangsu Tailam was delisted from NEEQ. After delisting from the NEEQ, Jiangsu Tailam undertook a capital reduction by repurchasing 2,208,333 shares and 2,000,000 shares from Shenzhen Rongxin Investment Management Co., Ltd. and an independent individual at consideration of RMB13,249,998 and RMB12,000,000 respectively. Tailam Hong Kong became the only shareholder of Jiangsu Tailam when the capital reduction was completed on 25 January 2019 and was converted into a wholly foreign owned enterprise.

- (b) On 4 September 2018, the members and board of directors of Tailam Hong Kong resolved the sub-division of each ordinary share in the issued share capital of Tailam Hong Kong into 100 ordinary shares. Accordingly, Tailam Hong Kong allotted and issued a total of 9,900,000 ordinary shares to the then existing shareholders. 7,900,200 ordinary shares, 831,600 ordinary shares, 300,960 ordinary shares, 99,000 ordinary shares, 99,000 ordinary shares and 669,240 ordinary shares were issued to Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Cynthia Dewi Widjaja, respectively.
- (c) On 5 September 2018, the third party individual Mr. Lam Ting Tung transferred his entire equity interest in Tailam Hong Kong to Ms. Wong at a consideration of RMB15,900,000, Ms. Wong's uncle, Mr. Wang Liangmin transferred his entire equity interest in Tailam Hong Kong to his son Mr. Wangong Chao Hong at a consideration of HK\$8,400, and on 16 October 2018, the third party individual Mr. Andre Widjaja transferred his entire equity interest in Tailam Hong Kong to his sister Ms. Grace Cynthia Dewi Widjaja without consideration.
- (d) On 7 March 2019, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one share was allotted to an initial subscriber as fully paid at par value of HK\$0.01. On the same date, the initial subscriber transferred its one share to Ms. Wong. The Company further allotted and issued 7,979 shares, 840 shares, 304 shares, 100 shares, 100 share and 676 shares to the investment holding companies owned by Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Cynthia Dewi Widjaja (collectively, the “**Allottees**”), respectively, at a consideration of HK\$0.01 for each share. Upon the completion of such share transfer and allotments, the Company was beneficially owned by Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Cynthia Dewi Widjaja as to 79.8%, 8.4%, 3.04%, 1%, 1% and 6.76% respectively.
- (e) On 15 March 2019, Tailam Investment Holdings Ltd. (“**Tailam Investment Holdings**”) was incorporated in the British Virgin Islands (the “**BVI**”) with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. Upon incorporation, one share was allotted and issued to an initial subscriber at par value of US\$1 as fully paid, which was transferred to the Company on the same date at the same consideration. Tailam Investment Holdings was then wholly owned by the Company.
- (f) On 21 March 2019, Tailam Investment Holdings acquired the entire equity interest of Tailam Hong Kong from Ms. Wong, Mr. Wang Chao Hong, Mr. Wong Leung Yau, Ms. Wong Chiu Ling, Ms. Wong Yu Ting and Ms. Grace Cynthia Dewi Widjaja, with the consideration being satisfied by the Company allotting and issuing an aggregate of 19,990,000 shares to the Allottees as described in (d) above.

After the completion of the Reorganization, the Company became the holding company of the Group.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2019 (“Financial Statements 2019”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, together with HKASs and Interpretations, collectively referred to as “HKFRS”) issued by the HKICPA.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2020, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2019.

### (a) Adoption of new or revised HKFRS effective on 1 January 2020

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

Conceptual framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

The application of the new Amendments had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the HKFRSs.

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

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

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

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

**4. SEGMENT REPORTING**

The Group has only one operating segment that qualifies as reporting segment under HKFRS 8. The Group is principally engaged in the manufacturing and sale of commercial concrete and PHC piles in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. The major operating entity of the Group is domiciled in the PRC. All of the Group's revenue are derived in the PRC and all of the non-current assets were located in the PRC. Accordingly, no separate segmental analysis is presented.

**5. REVENUE**

**(a) Disaggregation of revenue from contracts with customers**

The Group derived its revenue from the transfer of goods at point in time of the following major products:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
PHC piles	<b>121,751</b>	113,376
Commercial concrete	<b>55,263</b>	157,898
	<b><u>177,014</u></b>	<u>271,274</u>

**(b) Contract liabilities**

The Group recognised the following revenue-related contract liabilities:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
Contract liabilities	<b><u>2,347</u></b>	<b><u>5,853</u></b>

**(c) Information about major customers**

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

	<b>Six months ended 30 June</b>	
	<b>2020 RMB'000 (Unaudited)</b>	<b>2019 RMB'000 (Unaudited)</b>
Customer A	<b>46,049</b>	N/A
Customer B	<b><u>N/A</u></b>	<b><u>53,032</u></b>

## 6. EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and consumables used	146,870	201,575
Changes in inventories of finished goods	(7,776)	10,700
Outsourcing labour costs	5,863	4,923
Utilities	4,728	5,796
Employee benefit expenses	5,307	3,827
Subcontracting costs	–	3,951
Depreciation and amortisation charges	3,230	2,574
Freight charges	2,873	792
Travelling and entertainment expenses	1,067	701
Consulting fees	1,677	1,472
Business tax and surcharges	875	1,119
Maintenance costs	1,073	602
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	873	(251)
Listing expenses	–	6,354
Others	1,692	2,416
	<u>168,352</u>	<u>246,551</u>

## 7. OTHER INCOME

Other income mainly represented penalties for late settlement of overdue trade receivables from customers.

## 8. OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	848	450
Losses on disposal of property, plant and equipment	(278)	–
Gain on disposal of right-of-use assets	31	–
Others	60	84
	<u>661</u>	<u>534</u>

## 9. FINANCE COSTS – NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income from bank deposits	<u>102</u>	<u>61</u>
Finance costs:		
– Interest expenses on bank borrowings	(402)	(1,211)
– Interest expenses on leases	<u>(6)</u>	<u>(25)</u>
	<u>(408)</u>	<u>(1,236)</u>
	<u>(306)</u>	<u>(1,175)</u>

## 10. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	1,723	7,515
Deferred income tax		
– PRC corporate income tax	<u>610</u>	<u>225</u>
	<u>2,333</u>	<u>7,740</u>

Income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practises in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (six months ended 30 June 2019: 25%) according to the Corporate Income Tax Law of the PRC (the “CIT Law”).

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

## 11. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 12. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2020 and 2019 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective period. The weighted average number of shares of the Company in issue during the six months ended 30 June 2020 was 400,000,000 shares (six months ended 30 June 2019 (restated): 312,000,000 shares adjusted retrospectively to reflect the effect of capitalization issue on 5 November 2019 as described in the note 16(b) to the consolidated interim financial statements of this interim results announcement).

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (RMB’000)	<b>6,717</b>	16,167
Weighted average number of shares in issue (in thousands)	<b>400,000</b>	312,000
Basic earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)	<b><u>0.02</u></b>	<u>0.05</u>

The Company did not have any potential ordinary shares outstanding during the period and six months ended 30 June 2019, diluted earnings per share is equal to basic earnings per share.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the addition of fixed assets of the Group amounted to RMB18,854,000 (six months ended 30 June 2019: RMB14,120,000). Items of fixed assets with net book value totalling RMB296,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil), resulting in a loss on disposal of RMB278,000 (six months ended 30 June 2019: Nil).

#### 14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables		
– Third parties	<b>85,460</b>	123,564
Less: allowance for impairment of trade receivables	<u>(1,830)</u>	<u>(957)</u>
	<b>83,630</b>	122,607
Other receivables		
– Deposits with third parties	–	19,230
– Third parties	<b>906</b>	1,206
Less: allowance for impairment of other receivables	<u>(101)</u>	<u>(101)</u>
	<b>805</b>	20,335
Prepayments		
– Third parties	<b>66,645</b>	7,491
Notes receivables		
– Third parties	<u>7,350</u>	<u>17,297</u>
	<b>158,430</b>	<b>167,730</b>

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

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
Within 30 days	<b>45,843</b>	56,612
31 to 180 days	<b>34,769</b>	62,712
181 to 365 days	<b>4,417</b>	4,190
Over 365 days but less than 2 years	<b>431</b>	39
Over 2 years	<b>–</b>	11
	<b>85,460</b>	123,564

#### **15. RESTRICTED CASH**

As at 30 June 2020, restricted cash represents guarantee deposits for bank acceptances bills, which are denominated in RMB.

As at 31 December 2019, restricted cash represents guarantee deposits for bank acceptances bills and bank borrowings, which are denominated in RMB.

## 16. SHARE CAPITAL

The share capital balance as at 30 June 2020 and 31 December 2019 represented the issued and fully paid share capital of the Company as followings:

	<b>Number of ordinary shares</b> <i>Shares</i>	<b>Amount</b> <i>HK\$</i>	<b>Amount</b> <i>RMB'000</i>
Authorised:			
As at 31 December 2019 and 30 June 2020	1,000,000,000		
Issued and fully paid:			
Issue of ordinary shares on 7 March 2019 (date of incorporation)	10,000	100	–
Effect of the Reorganization (Note 1.2(f))	19,990,000	199,900	170
Issue of ordinary shares to a Pre-IPO Investor (Note (a))	1,400,000	14,000	12
Issue of ordinary shares pursuant to the Capitalization (Note (b))	299,600,000	2,996,000	2,692
Issue of ordinary shares pursuant to the Listing (Note (c))	<u>79,000,000</u>	<u>790,000</u>	<u>710</u>
As at 31 December 2019 and 30 June 2020	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>

- (a) On 25 March 2019, the Company allotted and issued an aggregate of 1,400,000 ordinary shares of the Company to the Pre-IPO Investor at a total consideration of RMB17,154,000, of which RMB12,000 was recorded in share capital, and the remaining amount of RMB17,142,000 was recorded in share premium.
- (b) Pursuant to the written resolution passed by the shareholders of the Company on 5 November 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorized to allot and issue a total of 299,600,000 ordinary shares, credited as fully paid, at par by way of capitalization for the sum of RMB2,692,000 standing to the credit of the share premium account of the Company (the “**Capitalization**”).
- (c) On 18 December 2019, the Company issued 79,000,000 ordinary shares of HK\$0.01 each at a price of HK\$1.3 per share pursuant to the initial public offering.

## 17. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables		
– Third parties	<u>68,006</u>	<u>72,700</u>
Other payables		
– Third parties	<u>1,468</u>	<u>670</u>
Accrued payroll	685	2,684
Accrued listing expenses	–	1,695
Other tax payables	905	1,663
Accrued audit fees	–	1,470
Notes payables	<u>160</u>	<u>430</u>
	<u><b>71,224</b></u>	<u><b>81,312</b></u>

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

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 30 days	18,544	28,490
31 to 180 days	42,214	28,646
181 to 365 days	6,644	14,956
Over 365 days but less than 2 years	604	290
Over 2 years	<u>–</u>	<u>318</u>
	<u><b>68,006</b></u>	<u><b>72,700</b></u>

## 18. LOANS FROM A CONTROLLING SHAREHOLDER

As at 31 December 2019, loans from a controlling shareholder were denominated in USD, unsecured, interest-free and repayable on demand.

## 19. BORROWINGS

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
<b>Current</b>		
Bank borrowings, secured and guaranteed (Note (a))	–	25,000
Bank borrowings, unsecured and guaranteed (Note (b))	–	5,500
Bank borrowings, secured and unguaranteed (Note (c))	<b>20,000</b>	3,000
Bank borrowings, unsecured and unguaranteed	–	5,000
	<hr/>	<hr/>
	<b>20,000</b>	<b>38,500</b>
	<hr/>	<hr/>

All of the Group's borrowings are denominated in RMB.

- (a) As at 31 December 2019, the Group's bank borrowings of RMB22,000,000 were guaranteed by Ms. Wong and secured by pledge of the Group's buildings and land use rights.

Bank borrowings of RMB3,000,000 were guaranteed by Mr. Wong Leung Yau and secured by the Group's building as at 31 December 2019.

- (b) As at 31 December 2019, the Group's bank borrowings of RMB5,500,000 were guaranteed by Nantong Kangtai Transportation Co., Ltd., which is controlled by a cousin of Ms. Wong.
- (c) As at 30 June 2020, the Group's bank borrowing of RMB20,000,000 were secured by pledge of the Group's buildings and land use rights.

As at 31 December 2019, the Group's bank borrowings of RMB3,000,000 were pledged by the Group's bank deposits.

- (d) As at 30 June 2020 and 31 December 2019, the Group's borrowings were repayable within one year.
- (e) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 30 June 2020 are one year (31 December 2019: one year).
- (f) The fair value of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

## 20. RELATED PARTY TRANSACTIONS

### (a) Continuing connected transactions

For the six months ended 30 June 2020, the Group had the following continuing connected transactions (the “**Continuing Connected Transactions**”). Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions entered into by the Group are non-exempt continuing connected transactions which are subject to the announcement, annual reporting, annual review and independent shareholders’ approval requirements as set out in Chapter 14A of the Listing Rules.

#### *Purchase of raw material from Mr. Wang Chaohuai* <sup>Note</sup>

During the Period, the aggregate transaction amount of raw material (namely sand and gravel) we procured from Mr. Wang Chaohuai (the “**Raw Material Purchase Agreement**”) was as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Raw material purchased by the Group	<u>4,061</u>	<u>20,802</u>

#### *Application for waiver*

For each of the financial years ending 31 December 2019, 2020 and 2021, the highest applicable percentage ratio (other than the profit ratio) for the non-exempt Continuing Connected Transactions in respect of the Raw Material Purchase Agreement is expected to exceed 5.0%. Accordingly, the non-exempt Continuing Connected Transactions are subject to the announcement, annual reporting, annual review and independent shareholders’ approval requirements under Rules 14A.35, 14A.36, 14A.49, 14A.68 and 14A.71 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

*Note:* Mr. Wang Chaohuai is the cousin of Ms. Wong and Mr. Wong Chiu Wai (both are executive Directors of the Company), Ms. Wong Chiu Ling and Ms. Wong Yu Ting, and the nephew of Mr. Wong Leung Yau (a non-executive Director of the Company). Accordingly, he is deemed to be a connected person of the Company pursuant to the Listing Rules.

**(b) Balance with related parties**

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
– Loan from a controlling shareholder Ms. Wong	<u>–</u>	<u>1,216</u>

**(c) Key management personnel remuneration**

Key management compensation, include salaries and other employee benefits amounted to approximately RMB1,849,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB637,000).

Save as disclosed in note 20(a) above, during the six months ended 30 June 2020, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A of the Listing Rules.

**21. CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
Property, plant and equipment	<u>11,296</u>	<u>–</u>

**22. CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2020.

**23. EVENTS AFTER THE REPORTING PERIOD**

There are no significant events subsequent to 30 June 2020 which would materially affect the Group's and the Company's operating and financial performance as of the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group manufactures and sells PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile) and commercial concrete in the People's Republic of China (the "PRC"). We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC.

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

Having a good and stable business relationship with customers is important as our customers are generally inclined to purchase PHC piles and commercial concrete from suppliers who have been doing business with them for a long time and who are able to maintain a good standard of quality in their products.

The Group places considerable emphasis on quality control, safety standard and environmental protection. In addition, we offer flexible and pro-active sales services, such as allowing our customers to place orders for our PHC piles and commercial concrete with us as close as one day before the expected date of delivery.

The successful listing of the Company's shares on Main Board of the Stock Exchange Hong Kong Limited (the "Stock Exchange") on 18 December 2019 (the "Listing") was an important milestone for the Group, enhancing our capital strength for future development.

After the outbreak of novel coronavirus (the "COVID-19 Outbreak") in early 2020, a series of precautionary and control measures have been and continue to be implemented across the PRC, including the regions where the Group operates. Due to the COVID-19 Outbreak, the Group's original resumption plan of production after the Chinese New Year had to be postponed. The Group's production was adversely affected in the first quarter of 2020, and was substantially resumed only in the second quarter of 2020. This resulted in a significant decrease in the production and sales volume of the Group during the Period.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately RMB94.3 million or 34.8% from approximately RMB271.3 million for the Corresponding Period to approximately RMB177.0 million for the Period. Such decrease was primarily attributable to the decrease in the sales of the Group's products under the impact of COVID-19 Outbreak since early 2020.

### **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately RMB18.5 million or 41.1% from approximately RMB45.0 million for the Corresponding Period to approximately RMB26.5 million for the Period. Gross profit margin of the Group decreased to approximately 15.0% for the Period, as compared with that of approximately 16.6% for the Corresponding Period, and this reflects the impact of the intensely competitive environment in the supply of building materials market.

### **Selling and marketing expenses**

The Group's selling and marketing expenses decreased by approximately RMB0.4 million or 28.6% from approximately RMB1.4 million for the Corresponding Period to approximately RMB1.0 million for the Period.

### **Administrative expenses**

The Group's administrative expenses decreased by approximately RMB3.1 million or 16.2% from approximately RMB19.1 million for the Corresponding Period to approximately RMB16.0 million for the Period, which was a result of the decrease in Listing expenses and increase in salaries, allowance and other benefit.

### **Profit for the Period**

The Group's profit for the Period amounted to approximately RMB6.7 million, representing a decrease of approximately RMB9.8 million or 59.4% as compared to that of approximately RMB16.5 million for the Corresponding Period. Such decrease was mainly due to the drop in revenue and gross profit during the Period.

## **Bank borrowings**

The Group's bank borrowings as at 30 June 2020 were approximately RMB20.0 million, representing a decrease of approximately RMB18.5 million as compared to that of approximately RMB38.5 million as at 31 December 2019. Such decrease was mainly due to the repayment of the bank borrowings during the Period.

## **PROSPECTS**

Looking ahead, the second half of 2020 will be filled with challenges and uncertainties. The Directors will continue to assess the impact of the pandemic on the Group's operations and financial performance and will closely monitor the Group's exposure to such risks and uncertainties. Furthermore, the Group will adhere to prudent financial management in project selection and cost control. At the same time, in view of the large-scale economic stimulus policies introduced by the Chinese government, the Group will try its best to look for new business opportunities to offset the negative impacts of the COVID-19 Outbreak.

In the meantime, the Group will continue to explore various opportunities in construction industry to create greater value for shareholders of the Company (the "**Shareholders**").

## USE OF PROCEEDS

The total net proceeds from the Listing involving the issue of 79,000,000 ordinary shares of the Company amounted to approximately HK\$63.7 million. The following table sets out the breakdown of the use of proceeds from the Listing and up to 30 June 2020:

	<b>Intended use of the net proceeds</b> <i>HK\$ million</i>	<b>Utilised amount (as at 30 June 2020)</b> <i>HK\$ million</i>	<b>Unutilised amount (as at 30 June 2020)</b> <i>HK\$ million</i>	<b>Expected timeline for utilising the unutilised net proceeds</b>
Expand our production facilities	31.0	14.0	17.0	By the end of 2020
Expand our workforce	1.6	0.5	1.1	By the end of 2020
Further improve our environmental protection system	3.9	3.9	–	–
Further strengthen our sales and marketing capabilities	3.3	0.3	3.0	By the end of 2021
Upgrade our ERP System	2.2	–	2.2	By the end of 2021
Repayment of bank loans	21.4	21.4	–	–
General working capital	0.3	0.3	–	–
<b>Total</b>	<b>63.7</b>	<b>40.4</b>	<b>23.3</b>	

### Notes:

- Capitalised terms used in the above table shall have the same meanings as defined in the prospectus of the Company dated 5 December 2019 in relation to the Listing (the “**Prospectus**”) and the announcement of the Company dated 17 December 2019.
- The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.
- The unutilised net proceeds from the Listing are expected to be used in accordance with the Company’s plan as disclosed in the Prospectus except that the original timeline for utilizing the remaining net proceeds allocated for “Expand our production facilities” as disclosed in the Prospectus has been delayed due to the business environment being affected by COVID-19 Outbreak since January 2020.

4. Based on the proposed use of net proceeds from the Listing, approximately HK\$20.9 million, being the construction cost and machinery and equipment costs for the establishment of one production line for square pile and one production line for commercial concrete of the Group, was initially scheduled to be utilised in the second quarter of 2020; however, the Board considered that due to the slowdown of construction activities in the PRC in early 2020, and the negative impact of COVID-19 Outbreak, the Board decided to postpone the schedule for utilizing the proposed use of net proceeds of approximately HK\$11.0 million.
5. The Group will assess the national policies in the PRC and the economic environment of the markets as a whole to proactively explore suitable markets and develop its business. The Group will comprehensively review its business cooperation with upstream and downstream business partners, so as to seek business opportunities to fulfill the demand of its customers.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed approximately 40 full-time employees and 160 outsourced workers (30 June 2019: approximately 38 full-time employees and 150 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 and senior management. The Directors and senior management will closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding needs.

The Group maintained cash and bank balances of approximately RMB53.2 million as at 30 June 2020 (31 December 2019: approximately RMB84.6 million).

As at 30 June 2020, the Group's borrowings amounted to approximately RMB20.0 million (31 December 2019: approximately RMB38.5 million). As at 30 June 2020, the gearing ratio (total debt/total equity) was 0.4 (31 December 2019: 0.6).

As at 30 June 2020, the current ratio (current assets/current liabilities) was 2.4 (31 December 2019: 2.1) and the net current assets amounted to approximately RMB137.7 million (31 December 2019: approximately RMB145.4 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes 17 and 19 to the condensed consolidated interim financial statements of this interim results announcement.

## **MARKET RISK**

Market risk is the risk that affects the Group's profitability or its ability to meet business objectives and it arises from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these risks to ensure appropriate measures are implemented 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 the PRC and the COVID-19 Outbreak could adversely affect the Group's business, results of operations and financial position.

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

During the Period, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group, and the Group did not hold any significant investments. Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 30 June 2020.

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Group's building of approximately RMB29.0 million (31 December 2019: approximately RMB17.5 million), land use right of approximately RMB12.1 million (31 December 2019: approximately RMB12.2 million) and bank deposits of nil (31 December 2019: approximately RMB3.0 million) were pledged as collateral for the Group's borrowings.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

### **Code provision A.2.1**

Pursuant to A.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 A.2.1 of the CG Code.

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

The Company has adopted the Model Code as the required standard for securities transactions by Directors.

The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions for the Period.

### **AUDIT COMMITTEE**

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

## **AUDIT COMMITTEE REVIEW**

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

## **PUBLICATION OF UNAUDITED INTERIM REPORT**

The Company's 2020 interim report will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.tlpile.com](http://www.tlpile.com).

## **APPRECIATION**

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

By Order of the Board of  
**Tailam Tech Construction Holdings Limited**  
**Wong Han Yu Alice**  
*Chairperson, Executive Director and Chief Executive Officer*

Hong Kong, 25 August 2020

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