

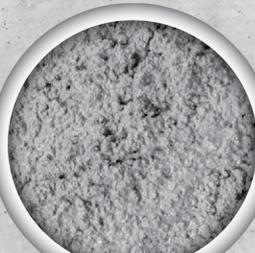
泰林科建控股有限公司

Tailam Tech Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

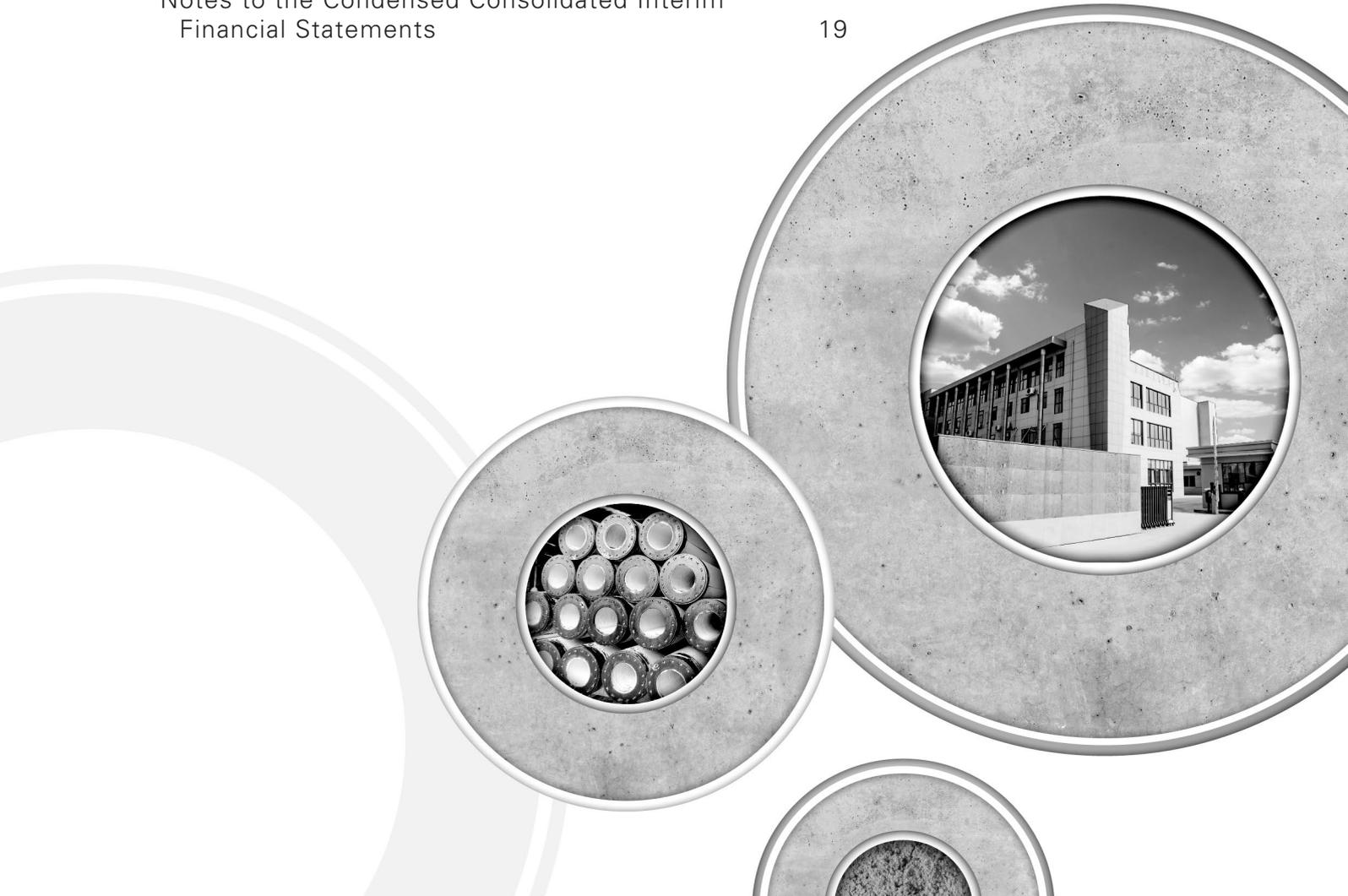
(Stock Code: 6193)

INTERIM REPORT
2020



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CORPORATE INFORMATION

DIRECTOR

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. Wong Sau Ping

AUTHORISED REPRESENTATIVES

Ms. Wong Han Yu Alice
Ms. Wong Sau Ping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
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Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yuanbei Village
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Qidong City
Nantong
Jiangsu Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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SOLICITORS

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CFN Lawyers

In association with BROAD & BRIGHT

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Wan Chai
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As to PRC law:

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As to Cayman Islands law:

Conyers Dill & Pearman

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P.O. Box 2681
Grand Cayman
KY1-1111
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COMPLIANCE ADVISER

South China Capital Limited

*A licensed corporation to carry out type 6
(advising on corporate finance)
regulated activities under the Securities and Future
Ordinance*

28/F, Bank of China Tower
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AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants
Registered Public Interest Entity Auditor*
22/F, Prince's Building
10 Chater Road
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PRINCIPAL BANK

DBS Bank (Hong Kong) Limited

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99 Queen's Road Central
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STOCK CODE

6193

COMPANY WEBSITE

www.tlpile.com

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

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**”).

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  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 service, 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").

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Intended use of the net proceeds HK\$ million	Utilised amount (as at 30 June 2020) HK\$ million	Unutilised amount (as at 30 June 2020) HK\$ million	Expected timeline for utilising the unutilised net proceeds
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	–	–
Total	63.7	40.4	23.3	

Note:

- 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 utilising 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.
- 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\$11.00 million.
- 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 report.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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

As at 30 June 2020, 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 ⁽²⁾	Approximate percentage of the issued share capital of the Company ⁽¹⁾
Ms. Wong Han Yu Alice	Interest of a controlled corporation ⁽³⁾	239,400,000 (L)	59.85%
Mr. Wong Leung Yau	Interest of a controlled corporation ⁽⁴⁾	9,028,000 (L)	2.26%

Notes:

1. The number of issued Share as at 30 June 2020 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 wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
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 SFO, Mr. Wong Leung Yau is deemed to be interested on all the Shares registered in the name of Megacore Investment.

Save as disclosed above, as at 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the persons (not being a Director or chief executive of the Company) who have interest or short position in the Shares or underlying Shares of the Company 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 ⁽²⁾	Approximate percentage of the issued share capital of the Company ⁽¹⁾
Apax Investment	Beneficial owner ^(Note 3)	239,400,000 (L)	59.85%
Ms. Wong Han Yu Alice	Interest in a controlled corporation ^(Note 3)	239,400,000 (L)	59.85%
Mr. Ma Wai Kwok	Interest of spouse ^(Note 4)	239,400,000 (L)	59.85%
Glorycore Investment Holdings Limited ("Glorycore Investment")	Beneficial owner ^(Note 5)	25,200,000 (L)	6.30%
Mr. Wang Chao Hong	Interest in a controlled corporation ^(Note 5)	25,200,000 (L)	6.30%
Ms. Ruan Yuhang*(阮宇航)	Interest of spouse ^(Note 6)	25,200,000 (L)	6.30%
Perfect Growth Limited	Beneficial owner ^(Note 7)	21,000,000 (L)	5.25%
Lucky Famous Limited	Interest in a controlled corporation ^(Note 7)	21,000,000 (L)	5.25%
GET Holdings Limited	Interest in a controlled corporation ^(Note 7)	21,000,000 (L)	5.25%
Mr. Wong Jing Shong	Interest in a controlled corporation ^(Note 7)	21,000,000 (L)	5.25%
Blue Coral Resources Limited ("Blue Coral Resources")	Beneficial owner ^(Note 8)	20,280,000 (L)	5.07%
Ms. Grace Cynthia Dewi Widjaja	Interest in a controlled corporation ^(Note 8)	20,280,000 (L)	5.07%
Mr. Han Wei Zhong	Interest of spouse ^(Note 9)	20,280,000 (L)	5.07%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (Continued)

Notes:

1. The issued share capital of the Company as at 30 June 2020 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, which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
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.
7. These Shares are registered in the name of Perfect Growth Limited, the entire interest of which is held by Lucky Famous Limited, which in turn is wholly owned by GET Holdings Limited (a company listed on GEM of the Stock Exchange with stock code: 8100). GET Holdings Limited is owned as to approximately 75% by Mr. Wong Jing Shong. Under the SFO, Lucky Famous Limited, GET Holdings Limited and Mr. Wong Jing Shong are deemed to be interested in all the Shares registered in the name of Perfect Growth Limited.
8. These Shares are registered in the name of Blue Coral Resources, which is wholly-owned by Ms. Grace Cynthia Dewi Widjaja. Under the SFO, Ms. Grace Cynthia Dewi Widjaja is deemed to be interested in all the Shares registered in the name of Blue Coral Resources.
9. Pursuant to the SFO, Mr. Han Wei Zhong, the spouse of Ms. Grace Cynthia Dewi Widjaja, is deemed to be interested in all the Shares in which Ms. Grace Cynthia Dewi Widjaja is deemed to be interested in.

Save as disclosed herein, as at 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) by a resolution of all the Shareholders passed on 5 November 2019 (the “**Adoption Date**”), and the Share Option Scheme became unconditioned on 18 December 2019.

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the 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 the Group, and additionally in the case of Executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

No option has been granted, cancelled, outstanding, exercised or lapsed under the Scheme since the Adoption Date and up to the date of this report.

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 of Hong Kong Limited (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 report 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 is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at 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

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

For the six months ended 30 June 2020

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

The note on pages 19 to 34 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Assets	6		
Non-current assets			
Property, plant and equipment	13	65,983	50,327
Intangible assets		103	121
Right-of-use assets		12,168	12,505
Deferred income tax assets		483	1,093
Current assets		78,737	64,046
Inventories		21,093	18,793
Trade and other receivables	14	158,430	167,730
Restricted cash	15	160	3,431
Cash and cash equivalents		53,244	84,553
		232,927	274,507
Total assets		311,664	338,553
Equity			
Equity attributable to owners of the Company			
Share capital	16	3,584	3,584
Share premium		161,574	161,574
Other reserves		(17,893)	(19,315)
Retained earnings		69,133	63,379
Total equity		216,398	209,222

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		–	257
Current liabilities			
Trade and other payables	17	71,224	81,312
Loan from a controlling shareholder	18	–	1,216
Contract liabilities	5(b)	2,347	5,853
Current income tax liabilities		1,608	2,155
Borrowings	19	20,000	38,500
Lease liabilities		87	38
		95,266	129,074
Total liabilities		95,266	129,331
Total equity and liabilities		311,664	338,553

The note on pages 19 to 34 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020 (Audited)	3,584	161,574	(19,315)	63,379	209,222	–	209,222
Comprehensive income							
Profit for the period	–	–	–	6,717	6,717	–	6,717
Other comprehensive income							
Currency translation differences	–	–	459	–	459	–	459
Total comprehensive income	–	–	459	6,717	7,176	–	7,176
Transactions with owners of the Company							
Appropriation of statutory reserves	–	–	963	(963)	–	–	–
	–	–	963	(963)	–	–	–
Balance at 30 June 2020 (Unaudited)	3,584	161,574	(17,893)	69,133	216,398	–	216,398
Balance at 1 January 2019 (Audited)	–	–	13,833	41,913	55,746	10,532	66,278
Comprehensive income							
Profit for the period	–	–	–	16,167	16,167	346	16,513
Other comprehensive income							
Currency translation differences	–	–	(297)	–	(297)	–	(297)
Total comprehensive income	–	–	(297)	16,167	15,870	346	16,216
Transactions with owners of the Company							
Repurchase of shares from non-controlling interests	–	–	(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)
Balance at 30 June 2019 (Unaudited)	182	87,697	(71,562)	58,080	74,397	–	74,397

The note on pages 19 to 34 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating activities		
Cash generated from operating activities	10,878	28,501
Income tax paid	(2,388)	(9,638)
Net cash generated from operating activities	8,490	18,863
Investing activities		
Purchase of property, plant and equipment	(18,854)	(7,642)
Proceeds from disposal of property, plant and equipment	18	–
Net cash used in investing activities	(18,836)	(7,642)
Financing activities		
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)
Net cash used in financing activities	(21,540)	(2,040)
Net (decrease)/increase in cash and cash equivalents	(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)
Cash and cash equivalents at 30 June	53,244	42,735

The note on pages 19 to 34 form an integral part of these condensed consolidated interim financial statements.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION AND REORGANIZATION (Continued)

1.2 Reorganization (Continued)

- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION AND REORGANIZATION (Continued)

1.2 Reorganization (Continued)

- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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:

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

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. REVENUE (Continued)

(c) Information about major customers

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

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

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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
	168,352	246,551

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 RMB'000 (Unaudited)	2019 RMB'000 (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
	661	534

9. FINANCE COSTS – NET

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
– PRC corporate income tax	1,723	7,515
Deferred income tax		
– PRC corporate income tax	610	225
	2,333	7,740

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. DIVIDENDS

The Board has resolved not to declare of 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 report).

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

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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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:

	Number of ordinary shares Shares	Amount HK\$	Amount RMB'000
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))	79,000,000	790,000	710
As at 31 December 2019 and 30 June 2020	400,000,000	4,000,000	3,584

- (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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER PAYABLES

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

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 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (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	–	318
	68,006	72,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current		
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))	20,000	3,000
Bank borrowings, unsecured and unguaranteed	–	5,000
	20,000	38,500

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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 ^{Note}

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 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Raw material purchased by the Group	4,061	20,802

Application for waiver

For each of the financial years ended/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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties

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

(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:

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

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 report.