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Tailam Tech Construction Holdings Limited

泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6193)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019.

The annual results of the Group for the year ended 31 December 2020 have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	3	431,023	541,070
Cost of sales	4	(368,750)	(457,908)
Gross profit		62,273	83,162
Selling and marketing expenses	4	(2,549)	(1,674)
Administrative expenses	4	(33,405)	(46,156)
(Impairment losses)/reversal of impairment losses on financial assets, net	4	(3,529)	1,851
Other income – net		–	161
Other (losses)/gains – net		(1,035)	550
Operating profit		21,755	37,894
Finance costs – net	5	(682)	(2,419)
Profit before income tax		21,073	35,475
Income tax expense	6	(6,488)	(10,180)
Profit for the year		14,585	25,295
Profit attributable to:			
– Owners of the Company		14,585	24,949
– Non-controlling interests		–	346
		14,585	25,295
Profit for the year		14,585	25,295
Other comprehensive income			
– Currency translation differences		1,977	(1,701)
Total comprehensive income for the year		16,562	23,594
Total comprehensive income attributable to:			
– Owners of the Company		16,562	23,248
– Non-controlling interests		–	346
		16,562	23,594
Earnings per share (expressed in RMB per share)			
– Basic and diluted	7	0.04	0.08

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		108,086	50,327
Intangible assets		282	121
Right-of-use assets		11,923	12,505
Deferred income tax assets		1,147	1,093
		<u>121,438</u>	<u>64,046</u>
Current assets			
Inventories		13,584	18,793
Trade and other receivables	8	148,097	167,730
Restricted cash		10,200	3,431
Cash and cash equivalents		64,569	84,553
		<u>236,450</u>	<u>274,507</u>
Total assets		<u>357,888</u>	<u>338,553</u>
Equity			
Equity attributable to owners of the Company			
Share capital	9	3,584	3,584
Share premium	9	161,574	161,574
Other reserves	10	(14,794)	(19,315)
Retained earnings		75,420	63,379
		<u>225,784</u>	<u>209,222</u>
Total equity		<u>225,784</u>	<u>209,222</u>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>–</u>	<u>257</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>11</i>	93,557	81,312
Loans from controlling shareholder	<i>12</i>	–	1,216
Contract liabilities	<i>3(b)</i>	5,129	5,853
Current income tax liabilities		3,918	2,155
Borrowings		29,500	38,500
Lease liabilities		–	38
		<u>132,104</u>	<u>129,074</u>
Total liabilities		<u>132,104</u>	<u>129,331</u>
Total equity and liabilities		<u>357,888</u>	<u>338,553</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. COMPANY INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the "**PHC piles**") 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 financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 26 March 2021.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2020 comprise the Group.

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-Related Rent Concessions – Amendments to HKFRS 16

The adoption of the above did not have any impact on the amounts recognised in prior and current periods, and are not expected to significantly affect the amounts for the future periods.

(ii) New Standards, amendments and interpretations not yet adopted by the Group

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2020 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for reporting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phrase 2	1 January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2021
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2021
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2021
Annual improvement project	Annual Improvements 2018–2020 Cycle	1 January 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
PHC piles	296,989	255,990
Commercial concrete	134,034	285,080
	<u>431,023</u>	<u>541,070</u>

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	<u>5,129</u>	<u>5,853</u>

(i) Insignificant changes in contract liabilities

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying products are yet to be provided. The change in contract liabilities was insignificant as at 31 December 2019 and 2020 due to the insignificant changes of the outstanding sales orders from customers.

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>5,853</u>	<u>5,953</u>

(iii) The Group elected the practical expedient not to disclose the remaining performance obligations, as the performance obligation is part of a contract that has an original expected duration of one year or less.

4. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	336,807	416,371
Changes in inventories of finished goods	(1,394)	12,371
Outsourcing labour costs	14,231	12,257
Employee benefit expenses	12,359	8,268
Utilities	11,368	11,639
Freight charges	7,597	5,037
Depreciation and amortization charges	6,759	5,572
Impairment losses/(reversal of impairment losses) on trade and other receivables, net	3,529	(1,851)
Drayage cost	2,482	–
Consulting fees	2,369	2,242
Maintenance costs	2,270	1,390
Travelling and entertainment expenses	2,252	2,421
Business tax and surcharges	2,062	2,183
Auditors' remuneration – audit services	1,113	1,470
Subcontracting costs	–	6,509
Listing expenses	–	14,891
Others	4,429	3,117
	408,233	503,887

5. FINANCE COSTS – NET

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
– Interest income from bank deposits	206	376
Finance costs:		
– Interest expenses on bank borrowings	(876)	(2,752)
– Interest expense on leases	(12)	(43)
	(888)	(2,795)
	(682)	(2,419)

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	<u>6,542</u>	<u>9,279</u>
	6,542	9,279
Deferred income tax		
– PRC corporate income tax	<u>(54)</u>	<u>901</u>
	<u>(54)</u>	<u>901</u>
	<u>6,488</u>	<u>10,180</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>21,073</u>	<u>35,475</u>
Tax calculated at domestic tax rates applicable to profits of the respective group entities	6,775	9,679
Tax effects of:		
– Expenses not deductible for tax purposes	448	2,721
– Tax losses for which no deferred income tax asset was recognised	1,210	724
– Super-deduction of research and development expenses	<u>(1,945)</u>	<u>(2,944)</u>
	<u>6,488</u>	<u>10,180</u>

The effective income tax rate was 31% (2019: 29%) for the year ended 31 December 2020.

PRC corporate income tax

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

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

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”). The additional tax deduction amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, 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 year ended 31 December 2020.

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements under the tax treaty arrangement between the PRC and Hong Kong.

As at 31 December 2020, deferred tax liabilities of RMB11,283,000 (2019: RMB8,939,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are expected to be retained by the PRC subsidiaries for reinvestment purpose and would not be remitted to their overseas holding companies in the foreseeable future based on management’s estimations of overseas funding requirements.

7. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2019 and 2020 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (<i>RMB’000</i>)	14,585	24,949
Weighted average number of shares in issue (<i>in thousands</i>)	400,000	319,255
Basic earnings per share for profit attributable to shareholders of the Company during the year (<i>expressed in RMB per share</i>)	0.04	0.08

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

8. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)		
– Third parties	118,915	123,564
Less: allowance for impairment of trade receivables	(4,486)	(957)
	114,429	122,607
Other receivables		
– Deposits with third parties (<i>Note (b)</i>)	–	19,230
– Third parties	2,934	1,206
Less: allowance for impairment of other receivables	(101)	(101)
	2,833	20,335
Prepayments for purchase of raw materials, plant and machinery		
– Third parties	19,838	7,491
Notes receivable		
– Third parties	10,997	17,297
	148,097	167,730

(a) Trade receivables are arisen from sales of goods and are denominated in RMB. Trade receivables in respect of sale of goods are settled in accordance with the terms stipulated in the sales contracts. The settlement method of trade receivables granted by the Group are generally divided into three categories:

- (i) Monthly settlement based on an agreed percentage of goods delivered, and the remaining balance will be settled after the completion of the superstructure of the customer's project;
- (ii) Settlement from a strategic customer when the goods cumulatively delivered exceed an agreed amount; and
- (iii) Settlement based on the goods delivered.

An ageing analysis of trade receivables as at 31 December 2019 and 2020 based on invoice date is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	50,783	56,612
1 to 6 months	60,711	62,712
6 months to 1 year	4,026	4,190
1 to 2 years	3,348	39
Over 2 years	47	11
	<u>118,915</u>	<u>123,564</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of trade receivables to measure the expected credit losses. During the year, the expected credit loss rates are determined according to the provision matrix as follows:

	As at 31 December	
	2020	2019
Within 1 month	0%	0%
1 to 6 months	1%	1%
6 months to 1 year	12%	7%
1 to 2 years	100%	64%
Over 2 years	100%	100%

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	957	3,789
Provision for/(reversal of provision) impairment recognised during the year	3,529	(1,871)
Receivables written off during the year as uncollectible	–	(961)
At the end of the year	<u>4,486</u>	<u>957</u>

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	101	81
Provision for impairment recognised during the year	—	20
At the end of the year	<u>101</u>	<u>101</u>

- (b) The deposits with third parties as at 31 December 2019 represent a portion of proceeds from the IPO which were designated for the repayment of the Group's bank borrowings. The Group gave an irrevocable instruction to the underwriters to apply the proceeds to repay the bank borrowings within three months after the Listing.

9. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares Shares	Share capital		Share premium	Total
		HK\$	RMB'000	RMB'000	RMB'000
Authorised:					
As at 31 December 2019 and 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	19,990,000	199,900	170	70,555	70,725
Issue of ordinary shares to a Pre-IPO Investor (<i>Note (a)</i>)	1,400,000	14,000	12	17,142	17,154
Issue of ordinary shares pursuant to the Capitalization (<i>Note (b)</i>)	299,600,000	2,996,000	2,692	(2,692)	—
Issue of ordinary shares pursuant to the IPO (<i>Note (c)</i>)	79,000,000	790,000	710	91,844	92,554
Listing expenses charged to share premium	—	—	—	(15,275)	(15,275)
As at 31 December 2019, 1 January 2020 and 31 December 2020	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>	<u>161,574</u>	<u>165,158</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 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 IPO.

10. OTHER RESERVES

	Statutory reserves <i>RMB'000</i> <i>(Note(a))</i>	Currency translation reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020	10,947	(7,302)	(22,960)	(19,315)
Currency translation differences	–	1,977	–	1,977
Appropriation of statutory reserves <i>(Note (a))</i>	2,544	–	–	2,544
As at 31 December 2020	13,491	(5,325)	(22,960)	(14,794)
As at 1 January 2019	7,464	(5,601)	11,970	13,833
Currency translation differences	–	(1,701)	–	(1,701)
Repurchase of shares of a subsidiary from non-controlling interests	–	–	(14,373)	(14,373)
Effect of the Reorganization <i>(Note (b))</i>	–	–	(70,725)	(70,725)
Effect of waiver of loan from controlling shareholder <i>(Note (c))</i>	–	–	50,168	50,168
Appropriation of statutory reserves <i>(Note (a))</i>	3,483	–	–	3,483
As at 31 December 2019	10,947	(7,302)	(22,960)	(19,315)

(a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

(b) Other reserves of approximately RMB70,725,000 were debited which represented the carrying value of the Listing Business as at 21 March 2019 when the Company acquired the entire equity interest of Tailam Group Holdings Limited.

(c) On 2 April 2019, a loan waiver agreement was entered into between Ms. Wong and Tailam Group Holdings Limited, pursuant to which approximately RMB50,168,000 would be waived by Ms. Wong conditionally upon Listing.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Third parties	<u>79,695</u>	<u>72,700</u>
Other payables		
– Related parties	20	–
– Third parties	<u>410</u>	<u>670</u>
Notes payable	10,200	430
Accrued payroll	1,893	2,684
Accrued audit fees	1,100	1,470
Other tax payables	239	1,663
Accrued listing expenses	<u>–</u>	<u>1,695</u>
	<u>93,557</u>	<u>81,312</u>

Trade and other payables are denominated in RMB.

- (a) An ageing analysis of trade payables as at 31 December 2019 and 2020 based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Up to 1 month	46,032	28,490
1 to 6 months	29,083	28,646
6 months to 1 year	406	14,956
1 to 2 years	3,799	290
Over 2 years	<u>375</u>	<u>318</u>
	<u>79,695</u>	<u>72,700</u>

12. LOANS FROM CONTROLLING SHAREHOLDER

Movements of loans from controlling shareholder

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	1,216	71,865
Loan advanced	–	9,969
Loan repayment made	(1,216)	(30,450)
Non-cash movement	–	(50,168)
	<hr/>	<hr/>
At the end of the year	–	1,216

13. DIVIDEND

No dividend has been declared or paid by the Company for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We manufacture and sell PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile) and commercial concrete in the PRC. We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC.

Our PHC piles are mainly sold to customers under our own trademark  and both the PHC piles and commercial concrete are primarily used in buildings and infrastructure projects. During the year ended 31 December 2020, our products were mainly sold to property developers and construction companies in Jiangsu Province.

The successful listing of the Company's shares on the Main Board of the Stock Exchange of 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.

The year ended 31 December 2020 was a challenging year for the Group. The outbreak of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") posed an unprecedented challenge to the global economy. China's economy shrank by 6.8% in the first quarter of 2020, marking the first contraction in more than 40 years caused by an extensive economic shutdown due to the COVID-19 Outbreak.

In order to control the spread of the COVID-19 pandemic, the PRC government imposed lockdown measures on various PRC cities since January 2020 and called for nationwide postponement of business operations following the Chinese New Year holidays until early February 2020. The Group's performance has been affected by the COVID-19 Outbreak in 2020 with the lockdown and the subsequent slow recovery due to implementation of safe management measures.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB110.1 million, or approximately 20.3%, from approximately RMB541.1 million for the year ended 31 December 2019 to approximately RMB431.0 million for the year ended 31 December 2020. Such decrease was primarily due to the decrease in the sales of the Group's products under the impact of the COVID-19 Outbreak since early 2020.

Gross Profit

Our gross profit decreased by approximately RMB20.9 million, or approximately 25.1%, from approximately RMB83.2 million for the year ended 31 December 2019 to approximately RMB62.3 million for the year ended 31 December 2020. Our gross profit margin decreased from approximately 15.4% for the year ended 31 December 2019 to approximately 14.4% for the year ended 31 December 2020. The decrease in gross profit margin was mainly attributable to the increase in price of raw materials used in production.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately RMB0.8 million, or approximately 47.1%, from approximately RMB1.7 million for the year ended 31 December 2019 to approximately RMB2.5 million for the year ended 31 December 2020.

Administrative Expenses

Our administrative expenses decreased by approximately RMB12.8 million, or approximately 27.7%, from approximately RMB46.2 million for the year ended 31 December 2019 to approximately RMB33.4 million for the year ended 31 December 2020. The decrease was primarily due to the recognition of one-off Listing expenses of approximately RMB14.9 million during the year ended 31 December 2019 while no such expenses were recognised during the year ended 31 December 2020.

Annual Results

Our profit for the year ended 31 December 2020 decreased by approximately RMB10.7 million, or approximately 42.3%, from approximately RMB25.3 million for the year ended 31 December 2019 to approximately RMB14.6 million for the year ended 31 December 2020.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group employed approximately 41 full-time employees and 167 outsourced workers (2019: approximately 40 full-time employees and 146 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 closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements.

The Group maintained cash and bank balances of approximately RMB64.6 million as at 31 December 2020 (2019: approximately RMB84.6 million).

As at 31 December 2020, the Group's borrowings amounted to approximately RMB29.5 million (2019: approximately RMB38.5 million). As at 31 December 2020, the gearing ratio (total debt/total equity) was 0.6 (2019: 0.6).

As at 31 December 2020, the current ratio (current assets/current liabilities) was 1.8 (2019: 2.1) and the net current assets amounted to approximately RMB104.3 million (2019: approximately RMB145.4 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in notes 27 and 29 in the consolidated financial statements of the annual report to be published by the Company.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2020, 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 “Use of proceeds from the Listing” in this announcement, the Group did not have other material investment or capital assets as at 31 December 2020.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately RMB5,329,000 (2019: Nil) in respect of acquisitions of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (2019: Nil).

PLEDGE OF ASSETS

As at 31 December 2020, the Group’s buildings of RMB16,503,000 (2019: RMB17,452,000), land use rights of RMB11,923,000 (2019: RMB12,217,000) and bank deposits of Nil (2019: RMB3,000,000) were pledged as collateral for the Group’s borrowings.

PROSPECTS

Given the prolonged and rapid spread of the COVID-19 Outbreak across most of the geographical regions in the world, the global economic activities showed a significant decline in the year under review. It is expected that the adverse impacts of the COVID-19 pandemic will continue to challenge the economic recovery.

Currently, our business is heavily reliant on the market in Jiangsu Province. It is the Group’s long term business plan that once we become familiar with the competitive landscape and the needs, specification requirements, quality and price expectation of the Shanghai end users, we will consider selling directly to end users in Shanghai and cooperate with other subcontractors who can produce commercial concrete on similar terms with good quality and at a price commercially acceptable to us.

The Group on a constant basis assessed the business environment, its product mix and its business strategies and on 14 September 2020, the Board has resolved to reallocate part of the unutilised net proceeds from the Listing to the establishment of production line for ceramsite concrete blocks, which are building materials that have character of being lightweight, and its application will bring our economic and social benefits to the Group, as the use of ceramsite concrete blocks can shorten the time of construction and reduce the dust and noise caused during the construction process. The inclusion of ceramsite concrete blocks will enrich the Group's product portfolio and establish an additional revenue stream.

In addition, we have completed a number of system and equipment upgrades, including the redevelopment of our own river trade port, new environmental protection facilities, and construction of closed raw material storage yard and stormwater recycling systems. These projects provide the basis for delivering the best quality construction products for our customers, complemented by a sustainable supply chain and our strong logistic capabilities. With all of our efforts, we aim not only to develop business, but also to establish a strong platform for the future growth of the Group.

In 2021, the production and sale of ceramsite concrete blocks will commence. The Group believes the adverse impact of the COVID-19 pandemic will continue to post challenges to the economic recovery. However, it will eventually come to an end and the global economy will recover in the coming years. We will continue to plan and establish a strong platform for the future of the Group so that we will be well prepared, able to rise to new challenges and seize opportunities when they arise and our team will continue to work closely with our partners and customers to provide high quality products, prepare for challenges and explore different opportunities.

ENVIRONMENTAL PROTECTION

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

The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

During the year ended 31 December 2020 and up to the date of this announcement, to the best knowledge of the Company, the Group has complied with relevant laws and regulations that have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

KEY RISKS AND UNCERTAINTIES

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

Market Risks

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

Business Risk

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

Interest Rate Risk

The Group's interest rate risk arises from borrowings. All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the year ended 31 December 2020.

Liquidity Risk

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

Operational Risk

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

Investment Risk

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

Manpower and Retention Risk

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

CORPORATE GOVERNANCE

The Company's shares (the "**Shares**") have been listed on the Stock Exchange since 18 December 2019 (the "**Listing Date**"). The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2020 (the "**Reporting Period**"). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

Save as disclosed below under the section headed “Chairperson and Chief Executive Officer” of this announcement, the Company has complied with the code provisions of the CG Code during the Reporting Period. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has three members comprising of Mr. Lai Chun Yu (Chairman), Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella, all being independent non-executive Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

EVENTS AFTER THE REPORTING PERIOD

On 2 March 2021, TLP Investment Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company which was incorporated in Hong Kong on 21 January 2021, and Ms. Wong Chiu Ling and Mr. So Cheuk Ming, (collectively the “**Vendors**”) entered into a sale and purchase agreement, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase a property in Hong Kong at the consideration of HK\$9,500,000 (the “**Transaction**”).

Completion of the Transaction shall take place on or before 9 April 2021 or such later date to be mutually agreed by the Vendors and the Purchaser in writing.

Besides, in March 2021 the Group purchased a piece of land of approximately 8,188 m² located at Qidong, Jiangsu Province, the PRC, at a consideration of RMB1,680,000 as a reserve for the construction of a comprehensive production line of ceramic plate.

Save as disclose above, there are no significant events subsequent to 31 December 2020 which would materially affect the Group’s and the Company’s operating and financial performance as of the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the annual general meeting of the Company (the “**AGM**”) to be held on Friday, 11 June 2021, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Monday, 7 June 2021.

USE OF PROCEEDS FROM LISTING

The total net proceeds from the Listing involving the issue of 79,000,000 ordinary shares of the Company (the “**Share Offer**”) amounted to approximately HK\$63.7 million. The proposed applications include the detailed breakdown and description of the intended use of proceeds have been set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus of the Company dated 5 December 2019 (the “**Prospectus**”) and the announcement of the Company on 17 December 2019 (the “**Allotment Results Announcement**”). Save for the announcement of the Company dated 14 September 2020 regarding a change in allocation of the net proceeds from the Share Offer, the Directors do not anticipate that there will be any material change in the proposed use of the net proceeds from the Share Offer.

An analysis of the utilisation of the net proceeds from the Share Offer up to the year ended 31 December 2020 is set out below:

	Original planned use of Net Proceeds <i>HK\$ million</i>	Revised of allocation of unutilised Net Proceeds <i>HK\$ million</i>	Utilised Net Proceeds as at 31 December 2020 <i>HK\$ million</i>	Unutilised Net Proceeds as at 31 December 2020 <i>HK\$ million</i>	Expected timeline for utilising the Unutilised Net Proceeds
Expand the Group’s production facilities	31.0	20.0	20.0	-	
Expand the Group’s workforce	1.6	1.6	1.6	-	
Further improve the Group’s environmental protection system	3.9	3.9	3.9	-	
Further strengthen sales and marketing capabilities	3.3	3.3	1.3	2.0	By the end of 2021
Upgrade the Group’s ERP system	2.2	2.2	2.2	-	
Repayment of bank loans	21.4	21.4	21.4	-	
General working capital	0.3	0.3	0.3	-	
Establishment of production line of ceramsite concrete block	-	11.0	11.0	-	
Total	<u>63.7</u>	<u>63.7</u>	<u>61.7</u>	<u>2.0</u>	

The net proceeds that were not applied immediately after the Share Offer have been temporarily placed in the short-term deposits with financial institutions.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tailamgroup.com) in due course.

By order of the Board
Tailam Tech Construction Holdings Limited
Wong Han Yu Alice
*Chairperson, executive director and
chief executive officer*

Hong Kong, 26 March 2021

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.