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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 2023**

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 2023 with comparative figures for the year ended 31 December 2022.

The annual results of the Group for the year ended 31 December 2023 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 2023

	Notes	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
<b>Revenue</b>	3	<b>245,031</b>	326,165
Cost of sales	4	<u>(211,939)</u>	<u>(283,297)</u>
<b>Gross profit</b>		<b>33,092</b>	42,868
Selling and marketing expenses	4	<b>(3,974)</b>	(4,586)
Administrative expenses	4	<b>(33,747)</b>	(30,078)
(Provision for)/reversal of impairment losses on financial assets	4	<b>(7,452)</b>	3,102
Other gains – net		<u>1,132</u>	<u>3,435</u>
<b>Operating (loss)/profit</b>		<b>(10,949)</b>	14,741
Finance income		<b>548</b>	385
Finance cost		<u>(1,393)</u>	<u>(2,556)</u>
Finance costs – net	5	<u>(845)</u>	<u>(2,171)</u>
<b>(Loss)/profit before income tax</b>		<b>(11,794)</b>	12,570
Income tax expense	6	<u>(5,843)</u>	<u>(3,606)</u>
(Loss)/profit for the year attributable to equity holders of the Company		<u><b>(17,637)</b></u>	<u>8,964</u>
<b>Other comprehensive loss</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(1,061)</u>	<u>(3,377)</u>
<b>Total comprehensive (loss)/income for the year attributable to equity holders of the Company</b>		<u><b>(18,698)</b></u>	<u>5,587</u>
<b>(Loss)/earnings per share</b> <i>(expressed in RMB per share)</i>			
– Basic and diluted	7	<u><b>(0.04)</b></u>	<u>0.02</u>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		120,368	129,677
Intangible assets		375	442
Deferred income tax assets		2,452	2,181
Prepayments	8	–	2,663
		<u>123,195</u>	<u>134,963</u>
<b>Current assets</b>			
Inventories		16,135	17,931
Trade, prepayments and other receivables	8	92,927	178,069
Financial assets at fair value through other comprehensive income		9,319	1,100
Restricted cash		3,742	27,740
Cash and cash equivalents		44,061	43,192
		<u>166,184</u>	<u>268,032</u>
<b>Total assets</b>		<u><b>289,379</b></u>	<u><b>402,995</b></u>
<b>Equity</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	9	3,584	3,584
Share premium	9	153,337	153,337
Other reserves	10	(16,059)	(14,998)
Retained earnings		66,198	83,835
		<u>207,060</u>	<u>225,758</u>

		<b>As at 31 December</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		142	84
Deferred income tax liabilities		5,000	–
Borrowings		–	2,981
		<u>5,142</u>	<u>3,065</u>
<b>Current liabilities</b>			
Trade and other payables	11	68,645	119,436
Contract liabilities	3(b)	819	1,832
Current income tax liabilities		2,504	3,042
Borrowings		5,000	49,621
Lease liabilities		209	241
		<u>77,177</u>	<u>174,172</u>
<b>Total liabilities</b>		<u>82,319</u>	<u>177,237</u>
<b>Total equity and liabilities</b>		<u><u>289,379</u></u>	<u><u>402,995</u></u>

## NOTES TO FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

### 1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the “**PHC piles**”), ceramsite concrete block and commercial concrete in the People’s Republic of China (the “**PRC**”).

The ultimate holding company of the Company is Apax Investment Holdings Limited (“**Apax Investment**”), which is beneficially owned as to 72.94% by Ms. Wong Han Yu Alice (“**Ms. Wong**”) and as to 27.06% by Mr. Wong Chiu Wai. Apax Investment is controlled by Ms. Wong as Ms. Wong is the sole director of Apax Investment. Ms. Wong is the ultimate controlling shareholder of the Company.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 18 December 2019.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 27 March 2024.

### 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

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

**(a) New and amended standards adopted**

A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

<b>Standards</b>		<b>Effective for reporting periods beginning on or after</b>
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules	1 January 2023

**(b) New and amended standards not yet effective**

Certain new accounting standards and interpretations have been published but are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

<b>Standards</b>		<b>Effective for reporting periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Commercial concrete	120,581	190,031
PHC piles	115,013	126,563
Ceramsite concrete block	9,437	9,571
	<u>245,031</u>	<u>326,165</u>

#### (b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Commercial concrete	471	1,180
PHC piles	311	471
Ceramsite concrete block	37	181
	<u>819</u>	<u>1,832</u>

#### *Revenue recognised in relation to contract liabilities*

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>1,832</u>	<u>5,316</u>

#### (c) Accounting policies of revenue recognition

The Group manufactures and sells commercial concrete, PHC piles and ceramist concrete blocks in the market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### 4. EXPENSES BY NATURE

The total costs of costs of sales, selling and marketing expenses, administrative expenses and provision for/(reversal of) impairment losses on financial assets are set out below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	180,908	244,996
Changes in inventories of finished goods	681	3,823
Employee benefit expenses	16,926	15,330
Depreciation of property, plant and equipment	13,755	15,122
Outsourcing labour costs	10,515	13,691
Provision for/(reversal of) impairment of trade receivables	7,452	(3,102)
Freight charges	6,760	4,840
Utilities	4,886	8,087
Travelling and entertainment expenses	3,065	2,080
Consulting fees	2,448	1,964
Business tax and surcharges	1,498	1,746
Auditors' remuneration – audit services	1,150	1,150
Provision for write-down of inventories	228	612
Amortization charges	209	148
Others	6,631	7,474
	<u>257,112</u>	<u>317,961</u>

#### 5. FINANCE COSTS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income:		
– Interest income from bank deposits	<u>548</u>	<u>385</u>
Finance costs:		
– Interest expenses on bank borrowings	(1,377)	(2,520)
– Interest expense on leases	<u>(16)</u>	<u>(36)</u>
	<u>(1,393)</u>	<u>(2,556)</u>
Finance costs – net	<u>(845)</u>	<u>(2,171)</u>



## 6. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	1,114	2,980
Deferred income tax		
– PRC corporate income tax	4,729	626
	<u>5,843</u>	<u>3,606</u>

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

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

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5% (2022: 16.5%). Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes. The applicable corporate income tax rate for Mainland China subsidiaries is 25%, except for the subsidiary which is qualified as High and New technology Enterprise (“HNTE”). Jiangsu Tailam Construction Co., Ltd obtained the qualification of HNTE in 2023, and the applicable income tax rate is 15% for HNTE.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”). The additional tax deduction amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, and further increased to 200%, particularly for manufacturing enterprise, effective since 2021, according to a new tax incentive policy promulgated by the State Tax Bureau of the PRC. The Group has considered the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the year ended 31 December 2023.

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

The Group provide for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. Unremitted earnings that deferred income tax liabilities have not been recognised totaling RMB42,575,000 at 31 December 2023 (2022: RMB100,592,000). As at 31 December 2023, deferred income tax liabilities of RMB4,258,000 (2022: RMB10,059,000) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiary.

The tax on the Group's (loss)/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:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before income tax	<b>(11,794)</b>	12,570
Tax calculated at tax rates applicable to losses or profits of the respective subsidiaries	<b>(1,404)</b>	3,714
– Expenses not deductible for tax purposes	<b>264</b>	163
– Research and development expenditure super deduction	<b>(572)</b>	(1,103)
– Deferred tax not accounted for taxable losses	<b>1,099</b>	372
– Effect of withholding tax on certain unremitted profits of subsidiary in the PRC	<b>5,000</b>	–
– Effect of tax rate change on deferred income tax previously recognised	<b>872</b>	–
– Adjustments for income tax of prior year	<b>584</b>	460
	<b>5,843</b>	3,606

## 7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the years ended 31 December 2022 and 2023 are calculated by dividing the loss or 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.

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
(Loss)/Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>(17,637)</b>	8,964
Weighted average number of shares in issue ( <i>in thousands shares</i> )	<b>400,000</b>	400,000
Basic (loss)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year ( <i>expressed in RMB per share</i> )	<b>(0.04)</b>	0.02

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

## 8. TRADE, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables (a)		
– Third parties	93,745	165,250
Less: provision for impairment of trade receivables	<u>(15,498)</u>	<u>(8,046)</u>
	<u>78,247</u>	<u>157,204</u>
Other receivables		
– Entrusted loan (b)	–	5,430
– Other deposits	1,756	3,855
– Others	<u>396</u>	<u>798</u>
	<u>2,152</u>	<u>10,083</u>
Less: allowance for impairment of other receivables	<u>(81)</u>	<u>(81)</u>
	<u>2,071</u>	<u>10,002</u>
Prepayments for purchase of raw materials, property, plant and equipment		
– Third parties	<u>12,609</u>	<u>13,526</u>
Less: non-current portion of prepayments for purchase of property, plant and equipment	<u>–</u>	<u>(2,663)</u>
	<u>12,609</u>	<u>10,863</u>
	<u><b>92,927</b></u>	<u><b>178,069</b></u>

### (a) Trade receivables

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

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

An ageing analysis of trade receivables as at 31 December 2022 and 2023 based on sales occurrence date is as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	<b>10,800</b>	27,102
1 month to 6 months	<b>34,526</b>	86,678
6 months to 1 year	<b>24,796</b>	40,627
1 year to 2 years	<b>18,158</b>	9,475
Over 2 years	<b>5,465</b>	1,368
	<b>93,745</b>	165,250

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 by the Group according to the provision matrix as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
Within 1 month	<b>2%</b>	1%
1 month to 6 months	<b>3%</b>	2%
6 months to 1 year	<b>8%</b>	6%
1 year to 2 years	<b>23%</b>	21%
Over 2 years	<b>100%</b>	100%

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

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	<b>8,046</b>	11,148
Provision for/(reversal of) impairment recognised during the year	<b>7,452</b>	(3,102)
At the end of the year	<b>15,498</b>	8,046

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

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	<b>81</b>	81
Receivables written off during the year as uncollectible	<u>—</u>	<u>—</u>
At the end of the year	<b><u>81</u></b>	<b><u>81</u></b>

**(b) Entrusted loan**

The entrusted loan as at 31 December 2022 was interest free and has been repaid by a third party supplier during the year ended 31 December 2023.

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

**(d) Accounting policies of impairment of trade receivables**

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected losses on trader receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

**9. SHARE CAPITAL AND SHARE PREMIUM**

	<b>Number of ordinary shares</b>	<b>Share capital</b>		<b>Share premium</b>	<b>Total</b>
	<i>Shares</i>	<i>HK\$</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised:					
As at 31 December 2023 and 2022	<u>1,000,000,000</u>		<u>10,000,000</u>		
Issued and fully paid:					
As at 1 January 2023 and 31 December 2023	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>	<u>153,337</u>	<u>156,921</u>
As at 1 January 2022 and 31 December 2022	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>	<u>153,337</u>	<u>156,921</u>

## 10. OTHER RESERVES

	Statutory reserves <i>RMB'000</i>	Currency translation reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2023</b>	<b>15,753</b>	<b>(7,791)</b>	<b>(22,960)</b>	<b>(14,998)</b>
Currency translation differences	–	<b>(1,061)</b>	–	<b>(1,061)</b>
<b>As at 31 December 2023</b>	<b>15,753</b>	<b>(8,852)</b>	<b>(22,960)</b>	<b>(16,059)</b>
<b>As at 1 January 2022</b>	14,479	(4,414)	(22,960)	(12,895)
Currency translation differences	–	(3,377)	–	(3,377)
Appropriation of statutory reserves	1,274	–	–	1,274
<b>As at 31 December 2022</b>	<b>15,753</b>	<b>(7,791)</b>	<b>(22,960)</b>	<b>(14,998)</b>

### PRC statutory reserve

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

## 11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables		
– Third parties	<b>61,389</b>	86,602
Notes payable	<b>3,742</b>	27,740
Accrued payroll	<b>1,482</b>	1,782
Other tax payables	<b>198</b>	1,370
Other payables	<b>1,834</b>	1,942
	<b>68,645</b>	119,436

Trade and other payables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade and other payables:		
– Denominated in RMB	<b>68,598</b>	119,382
– Denominated in HK\$	<b>47</b>	54
	<hr/>	<hr/>
	<b>68,645</b>	119,436
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An ageing analysis of trade payables as at 31 December 2022 and 2023 based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 1 month	<b>17,317</b>	52,384
1 month to 6 months	<b>27,257</b>	23,918
6 months to 1 year	<b>14,144</b>	4,553
1 year to 2 years	<b>2,024</b>	5,083
Over 2 years	<b>647</b>	664
	<hr/>	<hr/>
	<b>61,389</b>	86,602
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The carrying amounts of trade and other payables approximated their fair values as at the balance sheet date.

## **12. DIVIDEND**


No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

On the board meeting of the Company held on 27 March 2024, the Board did not recommend to declare final dividend in respect of the year ended 31 December 2023 (2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

Our PHC piles are mainly sold to customers under our own trademark  and all the PHC piles, commercial concrete and ceramsite concrete block are primarily used in buildings and infrastructure projects. During the year ended 31 December 2023, our products were mainly sold to property developers and construction companies in Jiangsu Province.

During the year under review, economic conditions of the PRC improved slightly following the relaxation of pandemic-related measures and lifting of border controls. However, challenges remain in the property market and construction industry under the dynamism induced by various macro-economic factors. In respond to the uncertainty, the Group further improved its operational and management capabilities and strengthened its cash flow management, by adopting prudent approach in accepting orders, resulting in a significant improvement in net cash generated from operating activities as compared to last year.

### FINANCIAL REVIEW

#### Revenue

Our revenue decreased by approximately RMB81.2 million, or approximately 24.9%, from approximately RMB326.2 million for the year ended 31 December 2022 to approximately RMB245.0 million for the year ended 31 December 2023. The decrease in revenue was mainly caused by (i) the intense industrial competition and low level of infrastructural and related economic activities, which resulted in many construction projects being suspended or delayed, thereby weakening the demand for the Group's products (both commercial concrete and PHC piles); and (ii) the prudent approach adopted by the Group in accepting orders, resulting in the screening out of risky projects to facilitate better risk control.

#### Gross Profit

Our gross profit decreased by approximately RMB9.8 million, or approximately 22.8%, from approximately RMB42.9 million for the year ended 31 December 2022 to approximately RMB33.1 million for the year ended 31 December 2023. Our gross profit margin increased from approximately 13.1% for the year ended 31 December 2022 to approximately 13.5% for the year ended 31 December 2023. Our gross profit margin increased by approximately 0.4% as a result of the Group's continuous efforts in promoting improvement in overall efficiency and effectiveness.



## **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by approximately RMB0.6 million, or approximately 13.0%, from approximately RMB4.6 million for the year ended 31 December 2022 to approximately RMB4.0 million for the year ended 31 December 2023.

## **Administrative Expenses**

Our administrative expenses increased by approximately RMB3.6 million, or approximately 12.0%, from approximately RMB30.1 million for the year ended 31 December 2022 to approximately RMB33.7 million for the year ended 31 December 2023. The increase was mainly due to the increase in staff costs and travelling and entertainment expenses.

## **Annual Results**

The Group recorded a net loss of approximately RMB17.6 million for the year ended 31 December 2023 as compared to the net profit of approximately RMB9.0 million for year ended 31 December 2022. Apart from the decrease in gross profit and the increase in administrative expenses as mentioned above, the turnaround from net profit to net loss was primarily attributable to (i) the increase in provision of expected credit loss on trade receivables, resulting from the longer collection cycle of certain trade receivables; and (ii) the increase in deferred tax expense for the year ended 31 December 2023.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2023, the Group employed approximately 58 full-time employees and 82 outsourced workers (2022: approximately 53 full-time employees and 96 outsourced workers).

We generally recruit our employees through online recruitment platforms, and outsourced workers are provided to us by an employment agent. Our employees and outsourced workers are remunerated according to their job scope, responsibilities and performance. We pay our employees directly and we pay the employment agent for services rendered by the outsourced workers. Our employees and outsourced workers (indirectly through the employment agent) are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. The Group provided employers' liability insurance including work injury and medical insurance to both our employees and the outsourced workers.

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

Our employees and outsourced workers received different training depending on their respective department and the scope of works. The trainings are provided internally on a regular basis. Typically they are required to attend trainings relating to our quality control, environmental, health and workplace safety policies.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's overall funding and treasury activities are currently managed and controlled by the Directors. The Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements.

The Group maintained cash and bank balances of approximately RMB44.1 million as at 31 December 2023 (2022: approximately RMB43.2 million).

As at 31 December 2023, the Group's borrowings amounted to approximately RMB5.0 million (2022: approximately RMB52.6 million). All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the year ended 31 December 2023. As at 31 December 2023, the gearing ratio, calculated as total borrowings divided by total equity, was 2.4% (2022: 23.3%).

As at 31 December 2023, the current ratio (current assets/current liabilities) was 2.2 (2022: 1.5) and the net current assets amounted to approximately RMB89.0 million (2022: approximately RMB93.9 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in notes to the consolidated financial statements of the 2023 annual report to be published by the Company.

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

During the year ended 31 December 2023, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and affiliated companies.

## **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group had no capital commitments in respect of acquisitions of property, plant and equipment (2022: Nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group had no contingent liabilities (2022: Nil).

## **PLEDGE OF ASSETS**

As at 31 December 2023, the Group's buildings of RMB13,639,000 (2022: RMB22,766,000) and land use rights of RMB11,055,000 (2022: RMB11,349,000) were pledged as collateral for the Group's borrowings.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the section headed "Events After the Reporting Period", the Group did not have other plans for material investment or capital assets as at the date of this announcement.

## **PROSPECTS**

In 2024, the infrastructure and real estate market in the PRC is expected to remain sluggish, but we believe that government policies are likely to be further relaxed to improve the market conditions. The local government will continue to implement city-specific policies, actively resolve risks in the real estate industry, facilitate the stable and healthy development of the market, promote construction of major infrastructure projects (such as energy resources, water conservancy and transportation), and invest in the construction of new types of infrastructure. In view of these factors, the Group remains cautiously optimistic on the future prospects of the construction industry, and we will actively improve the product quality and optimise the team management to seize new opportunities that arise at any time.

Looking forward, the Group remains fully committed to the development of its main business of construction materials, and continues to actively participate in construction and infrastructure projects in the PRC and consistently adheres to our established values and strategy of "building solid foundation to define the future". The Group will closely monitor the market trends, fully leverage its marketing advantages, proactively address market competition and consolidate its market position. The Group shall continue to implement tight cost control measures in operations without compromising on quality. The Group will at the same time explore new business and investment opportunities that may diversify the Group's business and generate additional return to the shareholders.

For other investments made by the Group, the Group will monitor closely their performance and review the investment strategy periodically. The Group will take a conservative approach in making new investment decisions.

## **ENVIRONMENTAL PROTECTION**

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

The Group has not noted any material incompliance with all relevant laws and regulations in relation to its business, including air and noise pollution, discharge of waste and water, health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmentally friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste. In addition, discussion on the Group's detailed environmental policies and performance are contained in the environmental, social and governance report of the Company for the year ended 31 December 2023 to be published by the Company.

## **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

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

During the year ended 31 December 2023 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 have 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 offers a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also devotes ongoing efforts in providing adequate training and development resources to the employees.

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

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

## **KEY RISKS AND UNCERTAINTIES**

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

### **Market Risk**

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

### **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 2023.

### **Foreign Exchange Risk**

Operations of the Group was mainly conducted in Renminbi and Hong Kong dollars ("HK\$"). At 31 December 2023, the Group's major non-RMB denominated assets and liabilities included property, plant and equipment, cash and cash equivalents and other payables, which were denominated in HK\$. Fluctuation of the exchange rate of RMB against HK\$ could affect the Group's results of operations.

The Group currently does not have a foreign currency hedging policy, and manages our foreign currency risk by closely monitoring the movement of the relevant foreign currency rates.

The Directors do not consider the foreign exchange rate risks as material to the Group and therefore, did not carry out any financial instruments such as forward currency exchange contracts to hedge the risks.

## **Liquidity Risk**

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

## **Operational Risk**

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

## **Investment Risk**

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

## **Manpower and Retention Risk**

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

## **CORPORATE GOVERNANCE**

The Company's shares (the "**Shares**") have been listed on the Stock Exchange since 18 December 2019. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Save as disclosed below under the section headed "Chairperson and Chief Executive Officer" of this announcement, the Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2023 (the "**Reporting Period**"). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

### **CHAIRPERSON AND CHIEF EXECUTIVE OFFICER**

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairperson and the chief executive officer should be separate and should not be performed by the same individual. Ms. Wong Han Yu Alice is currently the Chairperson of our Board and the chief executive officer, who is responsible for overall strategic planning and business direction and management of the Group. Having considered the nature and extent of the Group's operations, Ms. Wong Han Yu Alice's in-depth knowledge and experience in the industry and familiarity with the operations of the Group, and the fact that all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering advice on independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Ms. Wong Han Yu Alice taking up both roles of the chairperson and chief executive officer. As such, the roles of the chairperson and chief executive officer of the Group are not separate pursuant to the requirement under code provision C.2.1 of the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 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 2023.

## **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 2023 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 Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

### **Acquisition of shares of a company**

On 18 January 2024, Shanghai Yuanxintai Investment Management Co., Ltd\* (上海圓芯泰投資管理有限公司), an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Taizhou Jingyi Gelan Technology Co., Ltd\* (台州精藝格蘭科技有限公司) an independent third party, at a consideration of RMB15,107,500 to acquire 5% of the issued share capital of Zhejiang Erg Technology Joint Stock Co., Ltd. (浙江爾格科技股份有限公司), which is principally engaged in the research and development, production and sales of cooling systems for renewable energy power generation, power generation and distribution and other devices. Further details are disclosed in the announcement of the Company dated 18 January 2024. The acquisition was completed on 29 January 2024.



Save for the above, the Board is not aware of any significant event affecting the Group and requiring disclosure that took place subsequent to 31 December 2023 and up to the date of this announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, 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, 7 June 2024, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 3 June 2024.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tailamgroup.com](http://www.tailamgroup.com)). The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders (upon request) and published on the websites of the Stock Exchange and the Company 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, 27 March 2024

*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.*

\* For identification purpose only