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Tailam Tech Construction Holdings Limited

泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6193)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 (the “**Corresponding Period**”).

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

For the six months ended 30 June 2021

		Six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	212,268	177,014
Cost of sales	6	<u>(187,705)</u>	<u>(150,474)</u>
Gross Profit		24,563	26,540
Selling and marketing expenses	6	(1,594)	(1,022)
Administrative expenses	6	(17,113)	(15,983)
Reversal of impairment losses/(impairment losses) on trade and other receivables, net	6	1,019	(873)
Other income	7	–	33
Other gains – net	8	<u>2,391</u>	<u>661</u>
Operating profit		9,266	9,356
Finance costs – net	9	<u>(318)</u>	<u>(306)</u>
Profit before income tax		8,948	9,050
Income tax expense	10	<u>(2,188)</u>	<u>(2,333)</u>
Profit for the period		6,760	6,717
Other comprehensive income			
– Currency translation differences		<u>322</u>	<u>459</u>
Total comprehensive income for the period		<u>7,082</u>	<u>7,176</u>
Earnings per share (expressed in RMB per share)			
– Basic and diluted	12	<u>0.02</u>	<u>0.02</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment	<i>13</i>	121,199	108,086
Intangible assets		268	282
Right-of-use assets		14,023	11,923
Deferred income tax assets		892	1,147
		<hr/>	<hr/>
Current assets		136,382	121,438
		<hr/>	<hr/>
Inventories		28,662	13,584
Trade and other receivables	<i>14</i>	143,567	148,097
Restricted cash	<i>15</i>	12,300	10,200
Cash and cash equivalents		38,983	64,569
		<hr/>	<hr/>
		223,512	236,450
		<hr/>	<hr/>
Total assets		359,894	357,888
		<hr/>	<hr/>

		As at 30 June 2021	As at 31 December 2020
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Equity			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	3,584	3,584
Share premium		161,574	161,574
Other reserves		(13,416)	(14,794)
Retained earnings		81,124	75,420
		<hr/>	<hr/>
Total equity		232,866	225,784
		<hr/>	<hr/>
Liabilities			
Current liabilities			
Trade and other payables	<i>17</i>	79,363	93,557
Contract liabilities	<i>5(b)</i>	6,271	5,129
Current income tax liabilities		3,230	3,918
Borrowings	<i>18</i>	38,164	29,500
		<hr/>	<hr/>
		127,028	132,104
		<hr/>	<hr/>
Total liabilities		127,028	132,104
		<hr/>	<hr/>
Total equity and liabilities		359,894	357,888
		<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2021 (Audited)	3,584	161,574	(14,794)	75,420	225,784
Comprehensive income					
Profit for the period	-	-	-	6,760	6,760
Other comprehensive income					
Currency translation differences	-	-	322	-	322
Total comprehensive income	-	-	322	6,760	7,082
Transactions with owners of the Company					
Appropriation of statutory reserves	-	-	1,056	(1,056)	-
	-	-	1,056	(1,056)	-
Balance at 30 June 2021 (Unaudited)	3,584	161,574	(13,416)	81,124	232,866
Balance at 1 January 2020 (Audited)	3,584	161,574	(19,315)	63,379	209,222
Comprehensive income					
Profit for the period	-	-	-	6,717	6,717
Other comprehensive income					
Currency translation differences	-	-	459	-	459
Total comprehensive income	-	-	459	6,717	7,176
Transactions with owners of the Company					
Appropriation of statutory reserves	-	-	963	(963)	-
	-	-	963	(963)	-
Balance at 30 June 2020 (Unaudited)	3,584	161,574	(17,893)	69,133	216,398

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash (used in)/generated from operating activities	(11,689)	10,878
Income tax paid	(2,621)	(2,388)
	<u>(14,310)</u>	<u>8,490</u>
Investing activities		
Purchase of property, plant and equipment	(17,684)	(18,854)
Purchase of intangible assets	(25)	–
Purchase of right-of-use assets	(2,264)	–
Proceeds from disposal of property, plant and equipment	30	18
	<u>(19,943)</u>	<u>(18,836)</u>
Financing activities		
Repayment of loans to controlling shareholder	–	(1,216)
Professional expenses paid in connection with the issuance of new shares during the listing process	–	(1,266)
Proceeds from bank borrowings	107,132	20,000
Repayments of bank borrowings	(98,468)	(38,500)
Interest paid	(319)	(408)
Lease payments (including interest paid)	–	(150)
	<u>8,345</u>	<u>(21,540)</u>
Net cash generated from/(used in) financing activities	8,345	(21,540)
Net decrease in cash and cash equivalents	(25,908)	(31,886)
Cash and cash equivalents at 1 January	64,569	84,553
Effect of exchange rate changes on cash and cash equivalents	322	577
	<u>38,983</u>	<u>53,244</u>
Cash and cash equivalents at 30 June	38,983	53,244

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the “**PHC piles**”) and commercial concrete 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 “**Stock Exchange**”) (the “**Listing**”) since 18 December 2019.

The consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. The consolidated interim financial statements were approved for issue by the board of directors of the Company on 25 August 2021.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2020 (“**Financial Statements 2020**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2021, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2020.

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

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

Amendments to HKFRS9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phrase 2
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the new Amendments did not have any material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the HKFRSs.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ¹
HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

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

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

4. SEGMENT REPORTING

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

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PHC piles	114,439	121,751
Commercial concrete	97,829	55,263
	<u>212,268</u>	<u>177,014</u>

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at	As at 31
	30 June	December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contract liabilities	<u>6,271</u>	<u>5,129</u>

(c) Information about major customers

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>23,642</u>	<u>46,049</u>

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Raw materials and consumables used	184,207	146,870
Changes in inventories of finished goods	(10,862)	(7,776)
Outsourcing labour costs	6,198	5,863
Utilities	5,802	4,728
Employee benefit expenses	6,821	5,307
Depreciation and amortisation charges	4,771	3,230
Freight charges	2,656	2,873
Travelling and entertainment expenses	1,070	1,067
Consulting fees	793	1,677
Business tax and surcharges	571	875
Maintenance costs	1,353	1,073
(Reversal impairment losses)/impairment losses on trade and other receivables, net	(1,019)	873
Others	3,032	1,692
	<u>205,393</u>	<u>168,352</u>

7. OTHER INCOME

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

8. OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	1,766	848
Gain/(losses) on disposal of property, plant and equipment	27	(278)
Gain on disposal of right-of-use assets	–	31
Others	598	60
	<u>2,391</u>	<u>661</u>

9. FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income from bank deposits	<u>1</u>	<u>102</u>
Finance costs:		
– Interest expenses on bank borrowings	(319)	(402)
– Interest expenses on leases	<u>–</u>	<u>(6)</u>
	<u>(319)</u>	<u>(408)</u>
	<u>(318)</u>	<u>(306)</u>

10. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax expense	1,934	1,723
Deferred income tax		
– PRC corporate income tax (credit)/expense	<u>254</u>	<u>610</u>
	<u>2,188</u>	<u>2,333</u>

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

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (six months ended 30 June 2020: 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 deducting amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018. The Group has considered the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the six months ended 30 June 2021.

11. DIVIDENDS

The Board has recommended the payment of an interim dividend of HK2.5 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). Subject to, among other things, the approval of the shareholders at the forthcoming extraordinary general meeting of the Company, the interim dividend totalling HK\$10.0 million will be payable on or around 10 November 2021 to the shareholders whose names appear on the register of members of the Company on 1 November 2021 out of the share premium account of the Company. The proposed interim dividend has not been recognised as a liability at the end of the reporting period.

12. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2021 and 2020 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective period. The weighted average number of shares of the Company in issue during the six months ended 30 June 2021 was 400,000,000 shares (six months ended 30 June 2020: 400,000,000 shares).

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	6,760	6,717
Weighted average number of shares in issue (in thousands)	400,000	400,000
Basic earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)	<u>0.02</u>	<u>0.02</u>

The Company did not have any potential ordinary shares outstanding during the Period and six months ended 30 June 2020, diluted earnings per share is equal to basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the addition of fixed assets of the Group amounted to RMB17,684,000 (six months ended 30 June 2020: RMB18,854,000). Items of fixed assets with net book value of nil were disposed during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB296,000), resulting in a gain on disposal of RMB27,000 (six months ended 30 June 2020: loss on disposal of RMB278,000).

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables		
– Third parties	115,060	118,915
Less: allowance for impairment of trade receivables	<u>(3,467)</u>	<u>(4,486)</u>
	<u>111,593</u>	<u>114,429</u>
Other receivables		
– Third parties	842	2,934
Less: allowance for impairment of trade receivables	<u>(101)</u>	<u>(101)</u>
	<u>741</u>	<u>2,833</u>
Prepayments		
– Third parties	27,026	19,838
Notes receivables		
– Third parties	<u>4,207</u>	<u>10,997</u>
	<u>143,567</u>	<u>148,097</u>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 month	63,779	50,783
1 to 6 months	37,233	60,711
6 months to 1 year	10,759	4,026
1 to 2 years	2,858	3,348
Over 2 years	<u>431</u>	<u>47</u>
	<u>115,060</u>	<u>118,915</u>

15. RESTRICTED CASH

Restricted cash represents guarantee deposits for bank acceptances bills, which are denominated in RMB.

16. SHARE CAPITAL

The share capital balance as at 30 June 2021 and 31 December 2020 represented the issued and fully paid share capital of the Company as follows:

	Number of ordinary shares <i>Shares</i>	Amount <i>HK\$</i>	Amount <i>RMB'000</i>
Authorised:			
As at 31 December 2020 and 30 June 2021	1,000,000,000		
Issued and fully paid:			
As at 31 December 2020 and 30 June 2021	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>

17. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables		
– Third parties	<u>65,308</u>	<u>79,695</u>
Other payables		
– Related party (Note 19(c))	–	20
– Third parties	<u>351</u>	<u>410</u>
Notes payables	12,300	10,200
Accrued payroll	787	1,893
Accrued audit fees	–	1,100
Other tax payables	<u>617</u>	<u>239</u>
	<u>79,363</u>	<u>93,557</u>

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Up to 1 month	18,598	46,032
1 to 6 months	45,779	29,083
6 months to 1 year	623	406
1 to 2 years	71	3,799
Over 2 years	237	375
	<u>65,308</u>	<u>79,695</u>

18. BORROWINGS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current		
Bank borrowings, secured and guaranteed (Note (a))	3,164	–
Bank borrowings, secured and unguaranteed (Note (b))	35,000	29,500
	<u>38,164</u>	<u>29,500</u>

- (a) As at 30 June 2021, the Group's bank borrowings of RMB3,164,000 were pledged by the Group's buildings of RMB8,135,000 (31 December 2020: Nil) and the provision of corporate guarantee from the Company.
- (b) As at 30 June 2021, the Group's bank borrowings of RMB35,000,000 were pledged by the Group's buildings of RMB16,025,000 (31 December 2020: RMB16,503,000) and the Group's land use rights of RMB11,790,000 (31 December 2020: RMB11,923,000). The borrowings were repayable within 1 year, the exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of each year were within 1 year.
- (c) The fair value of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

19. RELATED PARTY TRANSACTIONS

(a) Continuing connected transactions

For the six months ended 30 June 2021, the Group had the following continuing connected transactions (the “**Continuing Connected Transactions**”). Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions entered into by the Group are non-exempt continuing connected transactions which are subject to the announcement, annual reporting, annual review and independent shareholders’ approval requirements as set out in Chapter 14A of the Listing Rules.

Purchase of raw material from Mr. Wang Chaohuai ^{Note}

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

	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Raw material purchased by the Group	—	4,061

Application for waiver

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

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

(b) Transaction with related parties

On 2 March 2021, the Group entered into a connected transaction in relation to the acquisition of a property for a consideration of HK\$9,500,000. The property is currently used by the Group as its office. Details of the transaction are set out in the section headed “Significant Investments, Acquisitions and Disposals” in this interim results announcement.

(c) **Balance with a related party**

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
– Other payables		
Ms. Wong	–	20

(d) **Key management personnel remuneration**

Key management compensation, including salaries and other employee benefits, amounted to approximately RMB2,046,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB1,849,000).

Save as disclosed in note 19(a) and 19(b) above, during the six months ended 30 June 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A of the Listing Rules.

20. CAPITAL COMMITMENTS

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Property, plant and equipment	–	5,329

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021.


22. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2021 which would materially affect the Group's and the Company's operating and financial performance as of the date of this interim results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The outbreak of Coronavirus Disease 2019 (the "COVID-19 Outbreak") has had a significant impact on people and economies worldwide. However, with well controlled measures, the construction industry in Jiangsu Province has gradually started to return to pre-COVID levels.

The Group's production line of ceramsite concrete blocks is currently under trial production. Upon completion of the trial run, the Company would be able to launch ceramsite concrete blocks, which are building materials that have properties of being lightweight, as a new product. Its application is expected to bring economic and social benefits, 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, establish an additional revenue stream and further diversify the Group's product offerings which could broaden its customer base.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB35.3 million or 19.9% from approximately RMB177.0 million for the Corresponding Period to approximately RMB212.3 million for the Period. Such increase was primarily attributable to the resumption of construction activities in Jiangsu Province of the PRC where the Group operates during the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB1.9 million or 7.2% from approximately RMB26.5 million for the Corresponding Period to approximately RMB24.6 million for the Period. Gross profit margin of the Group decreased to approximately 11.6% for the Period, as compared with approximately 15.0% for the Corresponding Period, as the result of the increase in raw material costs.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB0.6 million or 60% from approximately RMB1.0 million for the Corresponding Period to approximately RMB1.6 million for the Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB1.1 million or 6.9% from approximately RMB16.0 million for the Corresponding Period to approximately RMB17.1 million for the Period due to the recovery of business activities during the Period as compared to the Corresponding Period.

Profit for the Period

As a result of the abovementioned, the Group's profit for the Period amounted to approximately RMB6.8 million, representing an increase of approximately RMB0.1 million or 1.5% as compared with approximately RMB6.7 million for the Corresponding Period.

Bank borrowings

The Group's bank borrowings as at 30 June 2021 were approximately RMB38.2 million, representing an increase of approximately RMB8.7 million as compared with approximately RMB29.5 million as at 31 December 2020. Such increase was mainly due to the increase of external financing by the Group during the Period.

PROSPECTS

The adverse impact of the COVID-19 pandemic will continue to pose challenges to the economic recovery. The Group responds to the challenges by continuously assessing and adjusting to its business environment. The Group has been able to maintain its market position in Jiangsu Province with the continuous support of its customers in the region. The Group believes that top-quality products and environmentally friendly production processes are crucial for its business.

The Group will continue to enrich its product mix and explore opportunities in expanding its market share and customer bases by adhering to the principles of “Building solid foundations to define future” and leveraging its expertise in manufacturing building materials.

Looking ahead, though the Group will remain prudent in its approach, it is optimistic about the prospects of its business in the long term. The Group will follow a very cautious approach to ensure corporate sustainability in 2021.

USE OF PROCEEDS

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, including a 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 and the announcement of the Company dated 17 December 2019. As disclosed in the announcement of the Company dated 14 September 2020 (the “**Announcement**”), the Board had resolved to change the allocation of the then unutilised net proceeds in the manner set out below as it considered such reallocation to be more favourable to the Group's long-term business development, as well as a better utilisation of the unutilised net proceeds. For further details on the change in use of proceeds and the reasons therefor, please refer to the Announcement. Save as disclosed in the Announcement, 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 six months ended 30 June 2021 and the change in the use of the net proceeds as announced on 14 September 2020 are set out below:

	Original planned use of net proceeds <i>HK\$ million</i>	Revised allocation of net proceeds <i>HK\$ million</i>	Amounts				Expected timeline for utilising the unutilised net proceeds
			Unutilised net proceeds as at 31 December 2020 <i>HK\$ million</i>	utilised from 1 January 2021 to 30 June 2021 <i>HK\$ million</i>	Utilised net proceeds as at 30 June 2021 <i>HK\$ million</i>	Unutilised net proceeds as at 30 June 2021 <i>HK\$ million</i>	
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	2.0	1.4	2.7	0.6	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	63.7	63.7	2.0	1.4	63.1	0.6	

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed approximately 47 full-time employees and 188 outsourced workers (31 December 2020: approximately 41 full-time employees and 167 outsourced workers).

The Group generally recruits employees through online recruitment platforms, and outsourced workers are provided by an employment agent. The Group's employees and outsourced workers are remunerated according to their job scope, responsibilities and performance. The Group pays its employees directly and the Group pays the employment agent for services rendered by the outsourced workers. The Group's 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 its employees and the outsourced workers.

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

The Group's 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 the Group's quality control, environmental, health and workplace safety policies.

RESPONSE TO THE COVID-19 OUTBREAK

Starting from the COVID-19 Outbreak in early 2020, the Group has taken various precautionary measures to safeguard the employees' health and safety. Body temperature check was conducted on every person entering the workplaces and commonly touched areas in workplaces were disinfected regularly. Employees were requested to complete the declarations of personal health and travel history before resumption of work. Face masks and disinfectant were provided in the workplaces and employees were advised to maintain good personal hygiene by wearing face masks in their workplaces and washing hands frequently. Flexible working hours, shift duties and home office were implemented to reduce workplace density and to guarantee smooth business operations. The Group encouraged the use of video or conference calls in order to reduce internal and external business meetings and all business travels have been reduced to a minimum to reduce the risk of infection. The Group continues to closely monitor the development of the COVID-19 pandemic to ensure the safety of its employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for diseases prevention, operations and business development accordingly.

As at the date of this announcement, over 95% of the total employees of the Group have been vaccinated against COVID-19.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances of approximately RMB39.0 million as at 30 June 2021 (31 December 2020: approximately RMB64.6 million).

As at 30 June 2021, the Group's borrowings amounted to approximately RMB38.2 million (31 December 2020: approximately RMB29.5 million). As at 30 June 2021, the gearing ratio (total debt/total equity) was 0.5 (31 December 2020: 0.6).

As at 30 June 2021, the current ratio (current assets/current liabilities) was 1.8 (31 December 2020: 1.8) and the net current assets amounted to approximately RMB96.5 million (31 December 2020: approximately RMB104.3 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes 17 and 18 to the condensed consolidated interim financial statements of this interim results announcements.

MARKET RISK

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

BUSINESS RISK

The business of the Group is highly dependent on the performance of the PRC property market. A property market downturn in the PRC and natural disasters could adversely affect the Group's business, results of operations and financial position.

FOREIGN EXCHANGE RISK

Operations of the Group were mainly conducted in RMB and Hong Kong dollars (“**HK\$**”). At 30 June 2021, the Group’s major non-RMB denominated assets and liabilities included 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 its 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.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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**”). The property is currently used by the Group as its office. The Vendors, Ms. Wong Chiu Ling and Mr. So Cheuk Ming are spouse to each other. Ms. Wong Chiu Ling is a family member of Ms. Wong Han Yu Alice (the chairperson of the Board, an executive Director, the chief executive officer and the controlling shareholder), Mr. Wong Chiu Wai (an executive Director) and Mr. Wong Leung Yau (a non-executive Director). As such, Ms. Wong Chiu Ling is an associate of Ms. Wong Han Yu Alice, Mr. Wong Chiu Wai and Mr. Wong Leung Yau and therefore a connected person of the Company under Rule 14A.12(2)(a) of the Listing Rules and Mr. So Cheuk Ming is a deemed connected person of the Company under Rule 14A.21 of the Listing Rules. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Completion of the Transaction took place on 8 April 2021. For further details, please refer to the announcement of the Company dated 2 March 2021.

Save as disclosed above, there were no other significant investment, material acquisitions and disposals by the Group during the Period.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had banking facilities which were secured by (i) pledge of the Group's buildings; (ii) legal charge of the Groups land use rights; and (iii) corporate guarantee from the Company. Details of the Group's borrowings are set out in note 18 to the interim financial statements.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of an interim dividend of HK2.5 cents per share for the six months ended 30 June 2021 (the "**Interim Dividend**") (six months ended 30 June 2020: Nil). Subject to, among other things, the approval of the shareholders at the extraordinary general meeting of the Company to be held on Friday, 22 October 2021 (the "**EGM**"), the interim dividend totalling HK\$10.0 million will be payable on or around 10 November 2021 to the shareholders whose names appear on the register of members of the Company on 1 November 2021 out of the share premium account of the Company.

The register of members of the Company will be closed from Tuesday, 19 October 2021 to Friday, 22 October 2021 (both days inclusive), in order to determine the identity of the shareholders who are entitled to attend the EGM, during which period no transfer of shares will be registered. To be eligible to attend the EGM, 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, 18 October 2021.

The register of members will be closed from Thursday, 28 October 2021 to Monday, 1 November 2021 (both days inclusive), for the purpose of determining the entitlement to the Interim Dividend. The record date will be on Monday, 1 November 2021. In order to qualify for the Interim Dividend, all transfer forms accompanied by relevant share certificates must be lodged 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 Wednesday, 27 October 2021.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Code provision A.2.1

Pursuant to A.2.1 of the CG Code, the roles of the chairperson and the chief executive officer should be separate and should not be performed by the same individual. Ms. Wong Han Yu Alice is currently the chairperson of the 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 (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors.

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE REVIEW

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

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company’s 2021 interim report will be published on the website of the Stock Exchange at www.hkex.com.hk and on the Company’s website at www.tailamgroup.com.

APPRECIATION

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

By Order of the Board of
Tailam Tech Construction Holdings Limited
Wong Han Yu Alice

Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 25 August 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.