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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 2021

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 2021 with comparative figures for the year ended 31 December 2020.

The annual results of the Group for the year ended 31 December 2021 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 2021

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	3	488,372	431,023
Cost of sales	4	<u>(436,414)</u>	<u>(368,750)</u>
Gross profit		51,958	62,273
Selling and marketing expenses	4	(4,127)	(2,549)
Administrative expenses	4	(38,519)	(33,405)
Impairment losses on financial assets	4	(6,662)	(3,529)
Other gains/(losses) – net		<u>1,174</u>	<u>(1,035)</u>
Operating profit		3,824	21,755
Finance costs – net	5	<u>(1,088)</u>	<u>(682)</u>
Profit before income tax		2,736	21,073
Income tax expense	6	<u>(1,023)</u>	<u>(6,488)</u>
Profit for the year attributable to owners of the Company		<u>1,713</u>	<u>14,585</u>
Other comprehensive income			
– Currency translation differences		<u>911</u>	<u>1,977</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>2,624</u>	<u>16,562</u>
Earnings per share (<i>expressed in RMB per share</i>)			
– Basic and diluted	7	<u>0.00</u>	<u>0.04</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		138,432	120,009
Intangible assets		444	282
Deferred income tax assets		2,807	1,147
		<u>141,683</u>	<u>121,438</u>
Current assets			
Inventories		23,604	13,584
Trade and other receivables	8	197,268	148,097
Restricted cash		39,053	10,200
Cash and cash equivalents		36,098	64,569
		<u>296,023</u>	<u>236,450</u>
Total assets		<u>437,706</u>	<u>357,888</u>
Equity			
Equity attributable to owners of the Company			
Share capital	9	3,584	3,584
Share premium	9	153,337	161,574
Other reserves	10	(12,895)	(14,794)
Retained earnings		76,145	75,420
		<u>220,171</u>	<u>225,784</u>
Total equity		<u>220,171</u>	<u>225,784</u>
Liabilities			
Non-current liabilities			
Lease liabilities		327	–
Borrowings		2,842	–
		<u>3,169</u>	<u>–</u>

		As at 31 December	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and other payables	11	154,494	93,557
Contract liabilities	3(b)	5,316	5,129
Current income tax liabilities		2,744	3,918
Borrowings		51,311	29,500
Lease liabilities		501	–
		<u>214,366</u>	<u>132,104</u>
Total liabilities		<u>217,535</u>	<u>132,104</u>
Total equity and liabilities		<u>437,706</u>	<u>357,888</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 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, KY-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the "**PHC piles**"), ceramsite concrete block 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 "**Listing**") since 18 December 2019.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 25 March 2022.

2. BASIS OF PREPARATION

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

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

(i) New and amended standards adopted by the Group

New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to HKFRS 16 – Covid-19-related Rent Concessions
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments listed above did not have material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

Several new standards and amendments to standards and interpretations have been issued but not effective during the year ended 31 December 2021 and have not been early adopted by the Group in preparing these consolidated financial statements:

		Effective for reporting periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PHC piles	261,038	296,989
Commercial concrete	223,280	134,034
Ceramsite concrete block	4,054	–
	488,372	431,023

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	<u>5,316</u>	<u>5,129</u>

(i) Insignificant changes in contract liabilities

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying products are yet to be provided. The change in contract liabilities was insignificant as at 31 December 2020 and 2021 due to the insignificant changes of the outstanding sales orders with advance payments from the customers.

(ii) 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	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>5,129</u>	<u>5,853</u>

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

4. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials and consumables used	411,205	336,807
Changes in inventories of finished goods	(9,682)	(1,394)
Employee benefit expenses (<i>Note 8</i>)	16,403	12,359
Outsourcing labour costs	17,102	14,231
Depreciation and amortization charges	13,100	6,759
Utilities	11,196	11,368
Impairment losses on trade and other receivables	6,662	3,529
Freight charges	6,366	7,597
Travelling and entertainment expenses	2,815	2,252
Maintenance costs	2,139	2,270
Consulting fees	1,932	2,369
Business tax and surcharges	1,485	2,062
Auditors' remuneration – audit services	1,180	1,113
Drayage cost	–	2,482
Others	3,819	4,429
	<u>485,722</u>	<u>408,233</u>

5. FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income:		
– Interest income from bank deposits	<u>95</u>	<u>206</u>
Finance costs:		
– Interest expenses on bank borrowings	(1,148)	(876)
– Interest expense on leases	<u>(35)</u>	<u>(12)</u>
	<u>(1,183)</u>	<u>(888)</u>
	<u>(1,088)</u>	<u>(682)</u>

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	<u>2,683</u>	<u>6,542</u>
Deferred income tax		
– PRC corporate income tax	<u>(1,660)</u>	<u>(54)</u>
	<u>1,023</u>	<u>6,488</u>

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>2,736</u>	<u>21,073</u>
Tax calculated at domestic tax rates applicable to profits of the respective group entities	1,600	6,775
Tax effects of:		
– Expenses not deductible for tax purposes	206	448
– Tax losses for which no deferred income tax asset was recognised	1,134	1,210
– Super-deduction of research and development expenses	<u>(1,917)</u>	<u>(1,945)</u>
	<u>1,023</u>	<u>6,488</u>

The effective income tax rate was 37% (2020: 31%) for the year ended 31 December 2021.

PRC corporate income tax

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

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

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “**Super Deduction**”). The additional tax deduction amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, 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 2021.

PRC withholding income tax

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

As at 31 December 2021, deferred tax liabilities of RMB10,170,000 (2020: RMB11,283,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are expected to be retained by the PRC subsidiaries for reinvestment purpose and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

7. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2020 and 2021 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years.

	Year ended 31 December	
	2021	2020
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	1,713	14,585
Weighted average number of shares in issue (<i>in thousands</i>)	400,000	400,000
Basic earnings per share for profit attributable to shareholders of the Company during the year (<i>expressed in RMB per share</i>)	<u>0.00</u>	<u>0.04</u>

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

8. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)		
– Third parties	158,978	118,915
Less: allowance for impairment of trade receivables	<u>(11,148)</u>	<u>(4,486)</u>
	<u>147,830</u>	<u>114,429</u>
Other receivables		
– Other deposits	811	595
– Advances to staff	296	143
– Excess of input over output value added tax	45	2,076
– Others	76	120
	<u>1,228</u>	<u>2,934</u>
Less: allowance for impairment of other receivables	<u>(81)</u>	<u>(101)</u>
	<u>1,147</u>	<u>2,833</u>
Prepayments for purchase of raw materials, plant and machinery		
– Third parties	<u>32,731</u>	<u>19,838</u>
Notes receivable		
– Third parties	<u>15,560</u>	<u>10,997</u>
	<u>197,268</u>	<u>148,097</u>

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

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

An ageing analysis of trade receivables as at 31 December 2020 and 2021 based on sales occurrence date is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	37,478	39,025
1 month to 6 months	79,231	53,096
6 months to 1 year	19,296	21,126
1 year to 2 years	19,387	5,628
Over 2 years	3,586	40
	158,978	118,915

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

	As at 31 December	
	2021	2020
Within 1 month	0%	0%
1 month to 6 months	2%	1%
6 months to 1 year	11%	8%
1 year to 2 years	65%	40%
Over 2 years	100%	100%

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	4,486	957
Provision for impairment recognised during the year	6,662	3,529
At the end of the year	11,148	4,486

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	101	101
Receivables written off during the year as uncollectible	(20)	–
At the end of the year	81	101

9. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital		Share premium	Total
		HK\$	RMB'000	RMB'000	RMB'000
Authorised:					
As at 31 December 2021 and 2020	1,000,000,000	–	–	–	–
Issued and fully paid:					
As at 1 January 2020, 31 December 2020 and 1 January 2021	400,000,000	4,000,000	3,584	161,574	165,158
Dividend paid	–	–	–	(8,237)	(8,237)
As at 31 December 2021	<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 RMB'000 (Note (a))	Currency translation reserves RMB'000	Other reserves RMB'000	Total RMB'000
As at 1 January 2021	13,491	(5,325)	(22,960)	(14,794)
Currency translation differences	–	911	–	911
Appropriation of statutory reserves (Note (a))	<u>988</u>	<u>–</u>	<u>–</u>	<u>988</u>
As at 31 December 2021	<u>14,479</u>	<u>(4,414)</u>	<u>(22,960)</u>	<u>(12,895)</u>
As at 1 January 2020	10,947	(7,302)	(22,960)	(19,315)
Currency translation differences	–	1,977	–	1,977
Appropriation of statutory reserves (Note (a))	<u>2,544</u>	<u>–</u>	<u>–</u>	<u>2,544</u>
As at 31 December 2020	<u>13,491</u>	<u>(5,325)</u>	<u>(22,960)</u>	<u>(14,794)</u>

(a) PRC statutory reserve

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

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Third parties	<u>110,391</u>	<u>79,695</u>
Other payables		
– Related parties	–	20
– Third parties	<u>379</u>	<u>410</u>
Notes payable	39,053	10,200
Accrued payroll	2,447	1,893
Accrued audit fees	1,180	1,100
Other tax payables	<u>1,044</u>	<u>239</u>
	<u>154,494</u>	<u>93,557</u>

Trade and other payables are denominated in RMB.

- (a) An ageing analysis of trade payables as at 31 December 2020 and 2021 based on invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Up to 1 month	59,356	46,032
1 month to 6 months	45,503	29,083
6 months to 1 year	2,717	406
1 year to 2 years	2,529	3,799
Over 2 years	<u>286</u>	<u>375</u>
	<u>110,391</u>	<u>79,695</u>

12. DIVIDEND

Interim dividend of HKD10,000,000 (approximately RMB8,237,000) was declared and paid by the Company during the year (2020: 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 **TALAM** and both the PHC piles, commercial concrete and ceramsite concrete block are primarily used in buildings and infrastructure projects. During the year ended 31 December 2021, our products were mainly sold to property developers and construction companies in Jiangsu Province.

During the year, the Group successfully launched the ceramsite concrete blocks, which are building materials that have properties of being lightweight, as a new product in late 2021. The inclusion of ceramsite concrete blocks enriched the Group's product portfolio, established an additional revenue stream and further diversify the Group's product offerings which could broaden its customer base.

Overall demand for construction materials has been suppressed since second half of year 2021 as a result of weak property demand, delays in infrastructure projects, this was a reflection of the credit tightening and restrictive policies in the property sector and production control measures under the strict implementation of Dual Control of Energy Consumption policy in China since September 2021.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB57.4 million, or approximately 13.3%, from approximately RMB431.0 million for the year ended 31 December 2020 to approximately RMB488.4 million for the year ended 31 December 2021. The increase in revenue was mainly due to increase in revenue generated from sales of commercial concrete and the successful launching of ceramsite concrete block.

Gross Profit

Our gross profit decreased by approximately RMB10.3 million, or approximately 16.5%, from approximately RMB62.3 million for the year ended 31 December 2020 to approximately RMB52.0 million for the year ended 31 December 2021. Our gross profit margin decreased from approximately 14.4% for the year ended 31 December 2020 to approximately 10.6% for the year ended 31 December 2021. The decrease in gross profit margin was mainly attributable to the drastic increase in price of raw materials used and cost of energy in production.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately RMB1.6 million, or approximately 64%, from approximately RMB2.5 million for the year ended 31 December 2020 to approximately RMB4.1 million for the year ended 31 December 2021.

Administrative Expenses

Our administrative expenses increased by approximately RMB5.1 million, or approximately 15.3%, from approximately RMB33.4 million for the year ended 31 December 2020 to approximately RMB38.5 million for the year ended 31 December 2021. The increase was primarily due to the increase in depreciation and amortization charges as a result of increase in property, plant and equipments and right-of-use assets.

Annual Results

Our profit for the year ended 31 December 2021 decreased by approximately RMB12.9 million, or approximately 88.4%, from approximately RMB14.6 million for the year ended 31 December 2020 to approximately RMB1.7 million for the year ended 31 December 2021.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group employed approximately 51 full-time employees and 152 outsourced workers (2020: approximately 41 full-time employees and 167 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 RMB36.1 million as at 31 December 2021 (2020: approximately RMB64.6 million).

As at 31 December 2021, the Group's borrowings amounted to approximately RMB54.2 million (2020: approximately RMB29.5 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 2021. As at 31 December 2021, the gearing ratio, calculated as net borrowings divided by total equity, was 1.0 (2020: 0.6).

As at 31 December 2021, the current ratio (current assets/current liabilities) was 1.4 (2020: 1.8) and the net current assets amounted to approximately RMB81.8 million (2020: approximately RMB104.3 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in notes 24 and 25 in the consolidated financial statements of the annual report to be published by the Company.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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 constituted 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 exceeded 0.1% but were less than 5%, the Transaction was subject to the reporting and announcement requirements, but was 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 year.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no capital commitments in respect of acquisitions of property, plant and equipment (2020: RMB5,329,000).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities (2020: Nil).

PLEDGE OF ASSETS

As at 31 December 2021, the Group's buildings of RMB23,378,000 (2020: RMB16,503,000) and land use rights of RMB11,629,000 (2020: RMB11,923,000) were pledged as collateral for the Group's borrowings.

PROSPECTS

Our Directors are of the view that the general outlook of the construction industry and the business environment will remain challenging in the coming year. In light of the volatile business environment, the Group will continue to adopt prudent financial management and cost control. Furthermore, the Group will persistently monitor and adapt to the exogenous environment and work with the Group's customers and relevant government authorities to mitigate potential risks and issues. In addition, the Group will continue to explore suitable business and investment opportunities to drive our business growth.

Furthermore, the Group will continue to enrich its product mix and explore opportunities expanding its market share and customer base by leveraging its expertise on manufacturing building materials and adhering to the principle of "Building solid foundations to define the future".

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 environmental 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 2021 to be published in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements and have compliance procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have 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. 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 2021 and up to the date of this announcement, to the best knowledge of the Company, the Group has complied with relevant laws and regulations that have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

KEY RISKS AND UNCERTAINTIES

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

Market 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.

Business Risk

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

Interest Rate Risk

The Group's interest rate risk arises from borrowings. All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the year ended 31 December 2021.

Foreign Exchange Risk

Operations of the Group was mainly conducted in Chinese Renminbi ("RMB") and Hong Kong dollars ("HK\$"). At 31 December 2021, 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 "**Listing Date**"). The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2021 (the "**Reporting Period**"). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

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

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

* With effect from 1 January 2022, code provision A.2.1 has been re-designated as code provision C.2.1.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee has three members comprising of Mr. Lai Chun Yu (Chairman), Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella, all being independent non-executive Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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 2021 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 interim dividend for the six months ended 30 June 2021 was HK2.5 cents per Share (2020: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

EVENTS AFTER THE REPORTING PERIOD

With continuously increasing in the new infections of COVID-19 globally, in early March 2022, Jiangsu Province imposed several restrictions, this will inevitably have an impact on consumption sentiment and the Group's business. Taking into account the possible derail of recovery due to unfavorable macro environment and the pandemic impact, the management of the Group will stay cautious and react proactively to the evolving market conditions. The management will continue assessing the impacts of the COVID-19 on the financial performance of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, 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, 10 June 2022, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Monday, 6 June 2022.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Group from issuance of shares upon the Listing of the Company’s shares on the Stock Exchange have been fully utilised as at 31 December 2021 in the manner consistent with the proposed allocation as stated in the Company’s prospectus dated 5 December 2019 and the announcements of the Company dated 17 December 2019 and 14 September 2020 respectively, i.e. HK\$2 million was utilised to further strengthen sales and marketing capabilities of the Group during the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2021 will be despatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tailamgroup.com) in due course.

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

Hong Kong, 25 March 2022

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.