



ANNUAL REPORT 2021

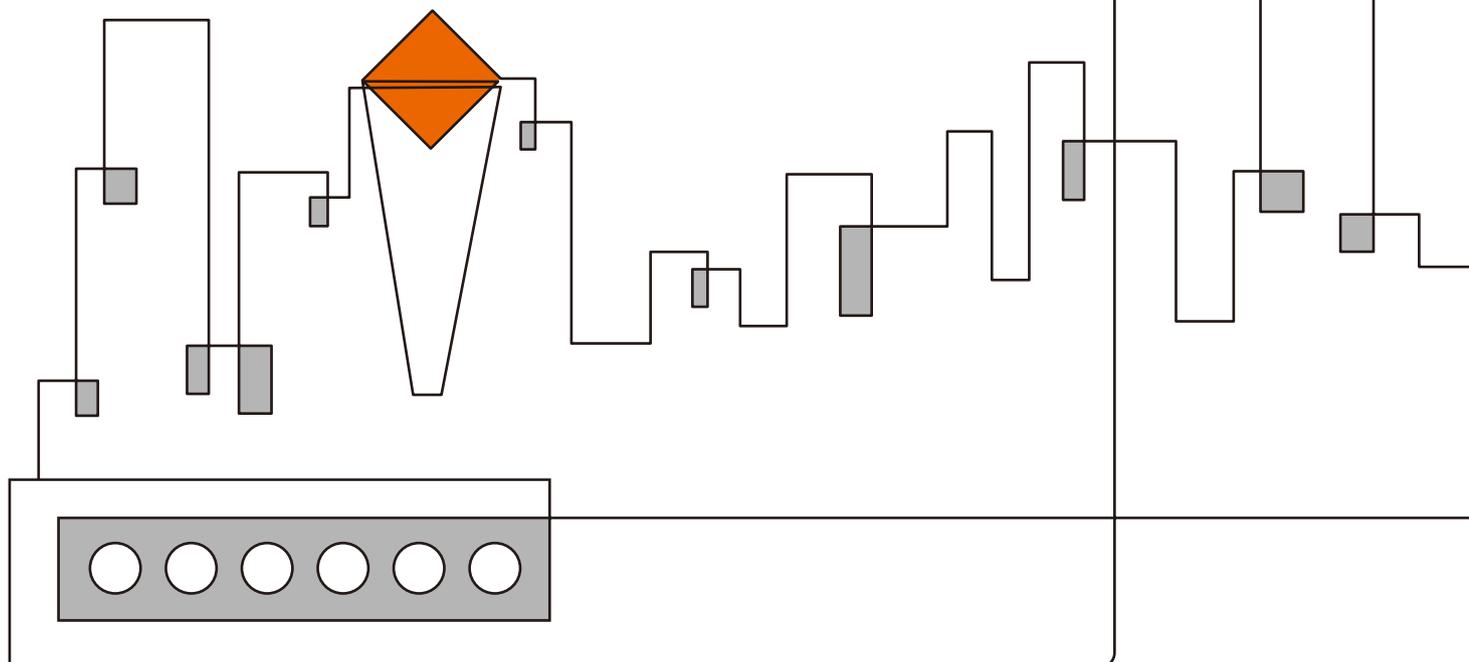
泰林科建控股有限公司

Tailam Tech Construction Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6193)



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Wong Han Yu Alice (*Chairperson*)
 Mr. Wong Chiu Wai
 Ms. Jiang Yin Juan

Non-Executive Director

Mr. Wong Leung Yau

Independent Non-Executive Directors

Ms. Wong Siu Yin Rosella
 Mr. Lai Chun Yu
 Mr. Cui Yu Shu

AUDIT COMMITTEE

Mr. Lai Chun Yu (*Chairperson*)
 Ms. Wong Siu Yin Rosella
 Mr. Cui Yu Shu

REMUNERATION COMMITTEE

Ms. Wong Siu Yin Rosella (*Chairperson*)
 Ms. Wong Han Yu Alice
 Mr. Cui Yu Shu

NOMINATION COMMITTEE

Ms. Wong Han Yu Alice (*Chairperson*)
 Ms. Wong Siu Yin Rosella
 Mr. Cui Yu Shu

JOINT COMPANY SECRETARIES

Ms. Chan Siu Yin
 Ms. Wong Sau Ping

AUTHORISED REPRESENTATIVES

Ms. Wong Han Yu Alice
 Ms. Wong Sau Ping

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman
 KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1901A
 Shanghai Shimao Building
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 New Pudong District
 Shanghai
 the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F
 Tower Two, Times Square
 1 Matheson Street
 Causeway Bay
 Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman
 KY1-1111
 Cayman Islands



CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

SOLICITORS

As to Hong Kong law:

CFN Lawyers

In association with BROAD & BRIGHT

27/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

As to PRC law:

Beijing Yingke Law Firm Shanghai Office

Yingke Lawyer Tower
No. 181, Jiangchang No. 3 Road
Jing An District
Shanghai
the PRC

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANK

Bank of China (Hong Kong) Limited

53/F, Bank of China Tower
1 Garden Road
Hong Kong

STOCK CODE

6193

COMPANY'S WEBSITE

www.tailamgroup.com

FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Year ended 31 December | | | | |
|--|------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
| Revenue | 488,372 | 431,023 | 541,070 | 454,190 | 298,654 |
| Cost of sales | (436,414) | (368,750) | (457,908) | (374,722) | (246,959) |
| Gross profit | 51,958 | 62,273 | 83,162 | 79,468 | 51,695 |
| Selling and marketing expenses | (4,127) | (2,549) | (1,674) | (3,401) | (2,350) |
| Administrative expenses | (38,519) | (33,405) | (46,156) | (26,626) | (10,494) |
| (Impairment losses)/reversal of impairment losses on financial assets, net | (6,662) | (3,529) | 1,851 | (398) | (2,023) |
| Other income – net | – | – | 161 | 482 | 440 |
| Other gains/(losses) – net | 1,174 | (1,035) | 550 | (437) | 1,969 |
| Operating profit | 3,824 | 21,755 | 37,894 | 49,088 | 39,237 |
| Finance costs – net | (1,088) | (682) | (2,419) | (1,970) | (1,726) |
| Profit before income tax | (2,736) | 21,073 | 35,475 | 47,118 | 37,511 |
| Income tax expense | (1,023) | (6,488) | (10,180) | (13,095) | (9,887) |
| Profit for the year | 1,713 | 14,585 | 25,295 | 34,023 | 27,624 |
| Profit attributable to: | | | | | |
| – Owners of the Company | 1,713 | 14,585 | 24,949 | 31,297 | 26,461 |
| – Non-controlling interests | – | – | 346 | 2,726 | 1,163 |
| | 1,713 | 14,585 | 25,295 | 34,023 | 27,624 |



FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET

| | As at 31 December | | | | |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
| Non-current assets | 141,683 | 121,438 | 64,046 | 48,070 | 44,885 |
| Current assets | 296,023 | 236,450 | 274,507 | 202,525 | 130,995 |
| Total assets | 437,706 | 357,888 | 338,553 | 250,595 | 175,880 |
| Non-current liabilities | 3,169 | – | 257 | – | 106 |
| Current liabilities | 214,366 | 132,104 | 129,074 | 184,317 | 152,271 |
| Total liabilities | 217,535 | 132,104 | 129,331 | 184,317 | 152,377 |
| Equity attributable to owners of the Company | 220,171 | 225,784 | 209,222 | 55,746 | 24,143 |
| Non-controlling interests | – | – | – | 10,532 | (640) |
| Total equity | 220,171 | 225,784 | 209,222 | 66,278 | 23,503 |
| Total equity and liabilities | 437,706 | 357,888 | 338,553 | 250,595 | 175,880 |



CHAIRMAN'S
STATEMENT

泰林科建 6193.HK



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**” or “**our Company**”), I am pleased to present the annual results of the Company and its subsidiaries (collectively the “**Group**” or “**our Group**”) for the year ended 31 December 2021.

The Group's operations are mainly located in Jiangsu Province, the People's Republic of China (the “**PRC**”). 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 Jiangsu region.

The year 2021 was hopeful and challenging, with operators in both the commercial and governmental sectors resuming and hastening the launch of their development projects. However, risks stemming from the extant pandemic remains prevalent, injecting a certain degree of stochastic variability into our operations. In light of the uncertain business environment, we plan to organize the long-term development of the Group around product diversification so as to minimize idiosyncratic risks. Following the commencement of trial operations in early 2021 and the resumption of full operations in July 2021, the Group has successfully launched ceramsite concrete blocks as a new offering in August 2021, which are building materials with the competitive property of being lightweight. The application of ceramsite concrete blocks is likely to yield economic and social benefits, as construction times can be shortened upon utilization while dust and noise induced by the construction process can be diminished. The inclusion of ceramsite concrete blocks enriches the Group's product portfolio, establishing an additional revenue stream and further diversifies the Group's product offerings which is likely to broaden its customer base.

COST CONTROL

The Group will continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment. In response to the uncertainties brought by the extant pandemic, the Group will consider tightening its control over operating costs proactively and effectively.

RESEARCH AND DEVELOPMENT

The Group has always been environmentally oriented while maintaining its dedication to develop high quality products capable of satisfying market needs. The group also closely observes the direction of market development to inform our research and development efforts underpinning our capabilities to satisfy future demands. In addition, in order to support the national policy of reaching peak carbon emissions by 2030, as well as to promote a green and low-carbon future in the building and construction industry, the Group has established the “Joint Research Center for Low-Carbon Building Materials” with the Nanjing Tech University in July 2021 to develop state-of-the-art technologies underlying the production of lightweight ceramsite concrete boards. We expect that these innovations will facilitate the optimization of ceramsite concrete mix design, improve the Group's performance and lower production costs, contributing to the betterment of our planet and the advancement of strategic objectives.



CHAIRMAN'S STATEMENT

APPRECIATION

Lastly, on behalf of the Board, I would like to extend my sincere appreciation to the shareholders, customers and business partners for their utmost support to the Group, and to express my gratitude to all management members and staff for their hard work and dedication throughout the year.

Yours faithfully

Wong Han Yu Alice

Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 25 March 2022







MANAGEMENT
DISCUSSION AND ANALYSIS



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 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

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”.



DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Ms. Wong Han Yu Alice (王嫻俞女士), aged 45, is one of the founders of our Group, our controlling shareholder within the meaning of the Listing Rules, chairperson of our Board, an executive Director and the chief executive officer. Ms. Wong is responsible for overall strategic planning and business direction and management of our Group. She has over 15 years of experience in business management and over eight years of experience in concrete supplies industry. Since June 2011, Ms. Wong has successively served various roles in our Group, including, among others, a director of Jiangsu Tailam Construction Co., Ltd.* (江蘇泰林建設有限公司), an indirect wholly-owned subsidiary of the Company, (“**Jiangsu Tailam**”) since June 2011, the director and general manager of Tailam Group Holdings Limited, an indirect wholly-owned subsidiary of the Company, (“**Tailam Hong Kong**”) since August 2014 and the chief executive officer of Jiangsu Tailam since July 2017, in which she was mainly responsible for building strategic partnerships and overseeing the overall management of our Group. She has been a director of Shanghai Elite Trading Co., Ltd.* (上海百易達貿易有限公司) since October 2007, where she was mainly responsible for the overall management of the company. Shanghai Elite Trading Co., Ltd.* import and export wood products and building materials.

Ms. Wong obtained a Diploma in Management from Swinburne University of Technology in May 2000 and a certificate majoring in Business Administration from Antai College of Economics and Management, Shanghai Jiaotong University* (上海交通大學安泰經濟與管理學院) in December 2006. She has also completed the international innovation management course in School of Continuing Education, Tsinghua University* (清華大學繼續教育學院) in August 2011.

Ms. Wong is the daughter of Mr. Wong Leung Yau (a non-executive Director of our Company), eldest sister of Mr. Wong Chiu Wai (an executive Director of our Company) and sister-in-law of Ms. Chan Siu Yin (a joint company secretary of our Company).

Mr. Wong Chiu Wai (王朝緯先生), aged 36, is our executive Director and general manager. Mr. Wong is responsible for overseeing the overall management and operations of our Group. Mr. Wong has nine years of experience in concrete supplies industry. He joined our Group as a deputy general manager of Jiangsu Tailam since June 2011. He has been a director of our subsidiaries, Tailam Hong Kong and Jiangsu Tailam since August 2015 and March 2016 respectively. He was appointed as the general manager of Jiangsu Tailam in June 2017. His duties include overseeing the daily operation, building strategic partnerships and planning the allocation of resources.

Mr. Wong graduated with a diploma of Business Administration degree from Santa Monica College in July 2011.

Mr. Wong is the son of Mr. Wong Leung Yau (a non-executive Director of our Company), younger brother of Ms. Wong Han Yu Alice (an executive Director of our Company) and spouse of Ms. Chan Siu Yin (a joint company secretary of our Company).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang Yin Juan (蔣銀娟女士), aged 69, is our executive Director and chief financial officer. Ms. Jiang is responsible for overall financial and accounting management of our Group. She joined our Group in September 2014 and has served as the financial director of Jiangsu Tailam since then. Ms. Jiang possesses over 40 years of working experience in accounting and finance industries. Before joining our Group, she served as an accountant at Shanghai Xinyi Telecom Part Products Factory* (上海新益電訊零件產品廠) from February 1973 to December 1987 and an accounting supervisor at Shanghai Xuhui District Civil Affairs Enterprise Company* (上海市徐匯區民政企業公司) from January 1988 to June 2000. She was the audit appraiser at Shanghai Huiye Asset Appraisal Firm* (now known as Xuhui Branch of Shanghai Huiye Asset Evaluation Co., Ltd.*) (上海匯業資產評估事務所，現為「上海匯業資產評估有限公司徐匯分公司」) from July 2000 to December 2001. From March 2002 to January 2014, she worked at Shanghai Huashen Asset Appraisal Co. Ltd.* (上海華審資產評估有限責任公司), where she last served as an audit appraiser.

Ms. Jiang obtained a certificate majoring in accounting from Shanghai University of Finance and Economics (上海財經大學) in December 1995. She is a certified public accountant and a certified public valuer since December 2002 and August 1997, respectively.

Non-executive Director

Mr. Wong Leung Yau (王良友先生), aged 71, is one of our shareholders and our non-executive Director. Mr. Wong is responsible for providing advice to our Board on general management and marketing strategies. He joined our Group as the chairman of supervising committee of Jiangsu Tailam and a director of Tailam Hong Kong since March 2016 and August 2015, respectively. Mr. Wong has over 25 years of experience in real estate, construction and development industries. He has also served in various roles at the following real estate development companies, including, director and general manager of Fujian Fuqing Longjiang Real Estate Development Co., Ltd.* (福建福清龍江房地產開發有限公司) from January 1992 to July 1998 and director and general manager of Hunan Jinghua Real Estate Development Co., Ltd.* (湖南省景華房地產開發有限公司) from February 1995 to June 1999, in which he was primarily responsible for overall development and investment strategies of the companies. Since October 2005 and October 2010, Mr. Wong has been concurrently serving as a director of China Wealth International Limited (中和國際有限公司), an investment company and director of Billion Joy Corporation Limited (兆欣興業有限公司), a trading and investment company.

Mr. Wong Leung Yau is the father of Ms. Wong Han Yu Alice (an executive Director of our Company), Mr. Wong Chiu Wai (an executive Director of our Company) and father-in-law of Ms. Chan Siu Yin (a joint company secretary of our Company).

Independent Non-executive Directors

Mr. Cui Yu Shu (崔玉舒先生), aged 37, was appointed as our independent non-executive Director on 31 October 2019. He is responsible for providing independent opinion and judgment to our Board. Mr. Cui has extensive experience in the management consulting and investment industries. From December 2005 to April 2011, he served as a senior management consultant in Zhejiang Zhongcheng Enterprise Management Consulting Co. Ltd.* (浙江眾成企業管理諮詢有限公司). From April 2011 to February 2016, he worked at Hangzhou Shen Shi Energy Saving Technology Co. Ltd.* (杭州沈氏節能科技股份有限公司) where he last served as a deputy general manager and secretary to the board of directors. Since February 2016, Mr. Cui has been the vice president of An Feng Venture Capital Co. Ltd.* (安豐創業投資有限公司), an investment services company. In 2016, he has his book, *Manager's Self-cultivation – the Essence of SMEs' Governance, Management and Transition** (管理者的自我修養—中小企業治理、管理與轉型精髓) published by Zhejiang University Press.



DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Cui graduated with a Bachelor's degree in Science from Zhejiang University* (浙江大學) in June 2006. He holds several qualifications including the certificate of qualified management consultant issued by the China Enterprise Confederation (中國企業聯合會), certificates of qualified securities and fund practitioner issued by the Securities Association of China (中國證券業協會) and certificate of qualified board of directors' secretary issued by the Shenzhen Stock Exchange (深圳證券交易所). Mr. Cui received a Master's degree in Economics from Renmin University of China* (中國人民大學) in June 2019.

Mr. Lai Chun Yu (黎振宇先生), aged 46, appointed as our independent non-executive Director of our Company on 31 October 2019. He is responsible for providing independent opinion and judgment to our Board. Mr. Lai has had extensive experience working for private companies, listed companies and professional firms in finance, accounting and auditing since 1999. Prior to joining our Group, Mr. Lai worked at Ernst & Young as an accountant from July 2000 to December 2003. In January 2004, he was employed as an accountant under Proview International Holdings Limited (now known as China Display Optoelectronics Technology Holdings Limited, a company listed on the Stock Exchange with stock code: 334). Since 28 February 2018, Mr. Lai has served as a director of MCGI Consultancy Limited, a consultancy firm in Hong Kong. In addition, he held several senior positions in the following listed companies:

| Name of entity | Principal business | Position and duration of service |
|--|---|---|
| Qin Jia Yuan Media Services Company Limited (勤+緣媒體服務有限公司) (now known as SMI Culture & Travel Group Holdings Limited (星美文化旅遊集團控股有限公司)) (a company listed on the Stock Exchange with stock code: 2366) | Provision of media, marketing, television programming and public relations services | Financial controller (last position) from August 2005 to June 2007 |
| Amber Energy Limited (琥珀能源有限公司) (now known as Puxing Energy Limited (普星能量有限公司)) (a company listed on the Stock Exchange with stock code: 90) | Provision of clean energy using natural gas | Company secretary from May 2009 to June 2017 Executive director from April 2013 to June 2016 |
| Anxian Yuan China Holdings Limited (安賢園中國控股有限公司) (formerly known as China Boon Holdings Limited) (a company listed on the Stock Exchange with stock code: 922) | Provision of funeral services and products | Independent non-executive director from October 2014 to August 2018 |
| Kwung's Holdings Limited (a company listed on the Stock Exchange with stock code: 1925) | Original design manufacturer and supplier of home decoration products | Independent non-executive director from 16 December 2019 to present |

Mr. Lai graduated from the Queensland University of Technology, Australia with the degree of Bachelor of Business in Accountancy in August 1999. Mr. Lai has been a Certified Practising Accountant of CPA Australia since November 2002. Mr. Lai was admitted as a Certified Public Accountant by and became a fellow of The Hong Kong Institute of Certified Public Accountants in January 2004 and June 2010, respectively.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Wong Siu Yin Rosella (黃小燕女士), aged 62, was appointed as our independent non-executive Director on 31 October 2019. She is responsible for providing independent opinion and judgment to our Board. Ms. Wong began her legal practise at Woo Kwan Lee & Lo in August 2003 and was promoted as a consultant in April 2009. In April 2014, she became a partner of the firm. She retired from partnership of the firm effective in March 2019. Since July 2019, Ms. Wong has been serving as the executive assistant to the managing director of a company, which together with its subsidiaries, principally engaged in property investment and development.

Ms. Wong obtained a Bachelor of Laws degree with First Class Honours from University of Buckingham in March 2001. She was admitted as a solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales in August 2003 and March 2004, respectively. Ms. Wong further obtained a Master in Laws from Renmin University of China (中國人民大學) in June 2005.

SENIOR MANAGEMENT

The executive Directors are the senior management of the Company.



REPORT OF THE DIRECTORS

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 March 2019. The registered office address 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 PHC piles, commercial concrete and ceramsite concrete board in the PRC. Ms. Wong Han Yu Alice (“**Ms. Wong**”) is the ultimate controlling shareholder of the Company.

The shares of the Company were first listed on the Main Board of the Stock Exchange on 18 December 2019 (the “**Listing Date**”) by way of placing and public offer of an aggregate of 79,000,000 ordinary shares of the Company of HK\$0.01 each (the “**Shares**”) at a final offer price of HK\$1.30 per Share.

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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are manufacturing and sale of PHC piles, commercial concrete and ceramsite concrete block in the PRC. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a business review of the Group, a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 10 to 14 of this annual report. This discussion forms part of this directors’ report.

An analysis of the Group’s performance during the year using financial key performance indicators can be found in the Financial Summary set out on pages 4 and 5 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 61 of this annual report.

REPORT OF THE DIRECTORS

DIVIDEND POLICY AND DIVIDENDS

The Company adopted a dividend policy, according to which the Board shall take into account, *inter alia*, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders of the Company (the “Shareholders”); (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the articles of association of the Company (the “Articles of Association”) as well as any applicable laws. The Company does not have any pre-determined payout ratio.

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

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

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

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.



REPORT OF THE DIRECTORS

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.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 4 to 5 of this annual report. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 34% of the total sales and sales to the largest customer included therein amounted to approximately 9%. Purchases from the Group's five largest suppliers accounted for approximately 32% of the total purchase for the year ended 31 December 2021 and purchase from the Group's largest supplier included therein amounted to approximately 9%.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital and share premium during the year ended 31 December 2021 are set out in note 22 to the financial statements.

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had reserves amounting to approximately RMB141.0 million (2020: approximately RMB155.4 million) available for distribution as calculated based on the Company's share premium and accumulated losses under applicable laws in the Cayman Islands.

BORROWINGS

Details of movements in the borrowings of the Group during the year ended 31 December 2021 are set out in note 25 to the financial statements.



REPORT OF THE DIRECTORS

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 report, 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.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

Ms. Wong Han Yu Alice (*Chairperson*)

Mr. Wong Chiu Wai

Ms. Jiang Yin Juan

Non-Executive Director

Mr. Wong Leung Yau

Independent Non-Executive Directors

Ms. Wong Siu Yin Rosella

Mr. Lai Chun Yu

Mr. Cui Yu Shu

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In accordance with article 84(2) of the Articles of Association, any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Ms. Wong Han Yu Alice, Ms. Wong Siu Yin Rosella and Mr. Cui Yu Shu, will hold office as Directors until the annual general meeting and being eligible, offer themselves for re-election at the annual general meeting.

Details of the Directors to be retired and offered for re-election at the annual general meeting are contained in the circular to be despatched to the Shareholders.

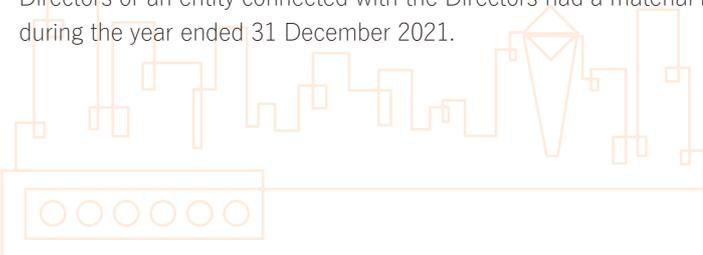
The Company has received from each of the independent non-executive Directors, namely, Ms. Wong Siu Yin Rosella, Mr. Lai Chun Yu and Mr. Cui Yu Shu, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of them to be independent.

BIOGRAPHIES OF DIRECTORS

The biographical details of Directors are disclosed in the section headed "Directors and Senior Management Profile" on pages 15 to 18 in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Prospectus and elsewhere in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2021.



REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed in the Prospectus and elsewhere in this annual report, during the financial year ended 31 December 2021, there was no contract of significance between the Company or any of its subsidiaries and any controlling Shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2021.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Director has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving three months' written notice to the other party, and is subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

Each of our non-executive Directors and independent non-executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving three months' written notice to the other party, and is subject to termination provisions therein. Each of these service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the experience, responsibility, workload and the time devoted to our Group by the relevant Director. Details of the remuneration of the Directors are set out in note 32 to the financial statements. None of the Directors has waived any emoluments for the year ended 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group as at 31 December 2021.

REPORT OF THE DIRECTORS

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”), were as follows:

| Name of Director/ chief executive | Nature of interests | Number of Shares ⁽²⁾ | Approximate percentage of the issued share capital of the Company ⁽¹⁾ |
|--------------------------------------|---|---------------------------------|--|
| Ms. Wong Han Yu Alice | Interest of a controlled corporation ⁽³⁾ | 239,400,000 (L) | 59.85% |
| Mr. Wong Leung Yau | Interest of a controlled corporation ⁽⁴⁾ | 10,236,000 (L) | 2.56% |

Notes:

- The issued Shares as at 31 December 2021 was 400,000,000 Shares.
- The letter “L” denotes the person’s long position in the Shares.
- These Shares are registered in the name of Apax Investment Holdings Limited (“Apax Investment”), which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
- These Shares are registered in the name of Megacore Investment Holdings Limited (“Megacore Investment”), which is wholly-owned by Mr. Wong Leung Yau. Under the SFO, Mr. Wong Leung Yau is deemed to be interested in all the Shares registered in the name of Megacore Investment.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2021 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2021, the persons (not being a Director or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name of Shareholder | Capacity | Number of Shares ⁽²⁾ | Approximate percentage of the issued share capital of the Company ⁽¹⁾ |
|---|---|---------------------------------|--|
| Apax Investment | Beneficial owner ⁽³⁾ | 239,400,000 (L) | 59.85% |
| Ms. Wong Han Yu Alice | Interest in a controlled corporation ⁽³⁾ | 239,400,000 (L) | 59.85% |
| Mr. Ma Wai Kwok | Interest of spouse ⁽⁴⁾ | 239,400,000 (L) | 59.85% |
| Glorycore Investment Holdings Limited ("Glorycore Investment") | Beneficial owner ⁽⁵⁾ | 25,200,000 (L) | 6.30% |
| Mr. Wang Chao Hong | Interest in a controlled corporation ⁽⁵⁾ | 25,200,000 (L) | 6.30% |
| Ms. Ruan Yuhang (阮宇航) | Interest of spouse ⁽⁶⁾ | 25,200,000 (L) | 6.30% |

Notes:

- The issued share capital of the Company as at 31 December 2021 was 400,000,000 Shares.
- The letter "L" denotes the person's long position in the Shares.
- These Shares are registered in the name of Apax Investment, which is wholly-owned by Ms. Wong Han Yu Alice. Under the SFO, Ms. Wong Han Yu Alice is deemed to be interested in all the Shares registered in the name of Apax Investment.
- Pursuant to the SFO, Mr. Ma Wai Kwok, the spouse of Ms. Wong Han Yu Alice, is deemed to be interested in all the Shares in which Ms. Wong Han Yu Alice is deemed to be interested in.
- These Shares are registered in the name of Glorycore Investment, which is wholly-owned by Mr. Wang Chao Hong. Under the SFO, Mr. Wang Chao Hong is deemed to be interested in all the Shares registered in the name of Glorycore Investment.
- Pursuant to the SFO, Ms. Ruan Yuhang (阮宇航), the spouse of Mr. Wang Chao Hong, is deemed to be interested in all the Shares in which Mr. Wang Chao Hong is deemed to be interested in.

Save as disclosed herein, as at 31 December 2021, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The following is a summary of principal terms of the share option scheme (the “**Share Option Scheme**”) conditionally approved by a resolution of all the Shareholders passed on 5 November 2019 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

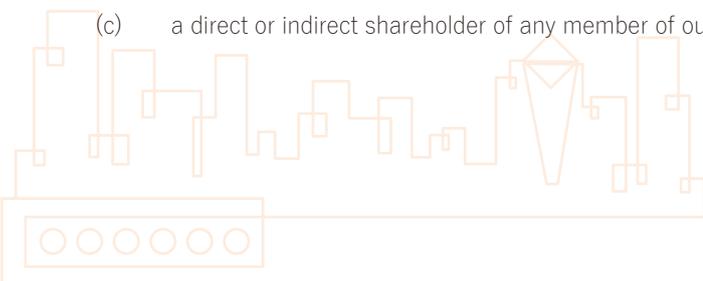
The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date);
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date; and
- (d) the obligations of the underwriters under the Underwriting Agreement(s) becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

3. Who may join

Our Board may, at its absolute discretion, offer options (the “**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive Director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the “**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (the “**Employee**”);
- (b) a Director or proposed Director (including an independent non-executive Director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;



REPORT OF THE DIRECTORS

- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the “**Eligible Persons**”)

4. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date, being 40,000,000 Shares, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “**Scheme Mandate Limit**”) provided that:

- (a) Our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company’s issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of shares available for issue is 40,000,000 Shares being approximately 10% of the Shares in issue as at the date of this report.

REPORT OF THE DIRECTORS

5. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Company's shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof) provided that:

- (a) no Options shall be granted after the termination of the Share Option Scheme in accordance with its terms;
- (b) no Options shall be granted if our Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to our Company;
- (c) no Options shall be granted if the grant would result in a breach by our Company or its Directors of relevant laws or regulations (including those relating to securities); and
- (d) any Option, once issued, shall not be reissued under the Share Option Scheme.



REPORT OF THE DIRECTORS

7. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associate(s) is the grantee of an Option). Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue;
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million; and
- (c) such further grant of Options must be approved by shareholders of our Company (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of our Company is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the Offer Date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option.

To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

REPORT OF THE DIRECTORS

9. Restriction on the time of grant of Options

Our Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which needs to be achieved by the grantee before the Option can be exercised.

11. Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.00.

12. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.



REPORT OF THE DIRECTORS

13. Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (iv) Subject as hereinafter provided:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
 - (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

REPORT OF THE DIRECTORS

- (d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
- (i) the option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option;
- (e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time no later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.



REPORT OF THE DIRECTORS

15. Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years on the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all respects. All Options granted prior such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme will expire on 4 November 2029. As at the date of this annual report, the remaining life of the Share Option Scheme was around seven years and eight months.

16. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option in this section;
- (c) subject to the period mentioned in the paragraph headed “13. Exercise of Option” in this section, the date of the commencement of the winding up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (d) above or in the paragraph headed “13. Exercise of Option” in this section; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

REPORT OF THE DIRECTORS

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, the auditors shall confirm to our Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. Cancellation of Options not exercised

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to our Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.



REPORT OF THE DIRECTORS

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

21. Amendment

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of our Company in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the terms of the Share Option Scheme to administer the day-to-day running of it; and (iv) any alteration to the aforesaid termination provisions.

As at the date of this report, no share option has been granted or agreed to be granted by the Company under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed in the section headed “Share Option Scheme” above, no equity-linked agreements were entered into by the Group, or subsisted at the end of the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the Group had the following non-exempt continuing connected transactions:

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions entered into by our 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/Supplier I ^{Note}

We purchased sand and gravel from Mr. Wang Chaohuai and/or Supplier I. Since 1 January 2019, we have ceased to purchase sand and gravel from Supplier I.

Principal terms: Our Company entered into a framework agreement with Mr. Wang Chaohuai dated 5 November 2019 pursuant to which, Mr. Wang Chaohuai has agreed to provide sand and gravel to our Group (the "**Raw Material Purchase Agreement**"). The Raw Material Purchase Agreement is effective from 18 December 2019 until 31 December 2021 (the "**Initial Term**"), provided that the parties shall have the right to unilaterally terminate the agreement at any time during the Initial Term by giving to the other party not less than 30 business days' prior written notice. Mr. Wang Chaohuai is the cousin of Ms. Wong Han Yu Alice (our executive Director), Mr. Wong Chiu Wai (our executive Director) and the nephew of Mr. Wong Leung Yau (our non-executive Director). Accordingly, he is deemed to be a connected person of the Company pursuant to the Listing Rules.

Reasons for transactions: Our Directors are of the view that Mr. Wang Chaohuai and/or his controlled company are able to provide the sand and gravel on a timely basis when and as required. Our Directors consider that being able to procure sand and gravel at market price with stable quality is important and beneficial to our current and future operations.

Pricing policy: The prices are determined in accordance with industrial market price for the product and may be adjusted as agreed by both parties after arm's length negotiations.

Annual caps: For the years ended 31 December 2019, 2020 and 2021 the maximum annual amount of raw material purchased from Mr. Wang Chaohuai shall not exceed the following caps:

| | Year ended 31 December | | |
|---|------------------------|-----------------|-----------------|
| | 2019 RMB'000 | 2020 RMB'000 | 2021 RMB'000 |
| Total amount of consideration (approximately) | 97,000 | 97,000 | 97,000 |

Note: Supplier I is a deemed connected person of our Company, as it is a limited partnership in which Mr. Wang Chaohuai owns 51% equity interest, with the remaining 49% owned by Mr. Wang Qing. Mr. Wang Qing is the brother-in-law of Mr. Wong Leung Yau and the uncle of Ms. Wong Han Yu Alice, Mr. Wong Chiu Wai, Ms. Wong Chiu Ling and Ms. Wong Yu Ting.

REPORT OF THE DIRECTORS

Basis of caps: The proposed annual caps set out above are determined after arm's length negotiations between the parties with reference to (i) the historical transaction amounts between our Group and Mr. Wang Chaohuai/Supplier I; (ii) the expected increase in quantity of raw material to be requested by us on an annual basis; and (iii) the prevailing market rates of raw materials of similar nature.

For the year ended 31 December 2021, the aggregate transaction amount of raw material (namely sand and gravel) we procured from Mr.Wang Chaohuai/Supplier I were as follows:

| | FY2020 RMB'000 | FY2021 RMB'000 |
|-------------------------------------|-------------------|-------------------|
| Raw material purchased by our Group | 26,879 | – |

Waiver from the Stock Exchange

For each of the financial years ended 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 Transaction is 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 Stock Exchange has granted the Company a waiver from strict compliance with the announcement and independent shareholder's approval requirements under Chapter 14A of the Listing Rules for the above continuing connected transactions.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors reviewed the Group's continuing connected transactions in accordance with applicable audit procedures and have confirmed in a letter to the Board that:

- (i) the disclosed continuing connected transactions have been approved by the Board.
- (ii) the disclosed continuing connected transactions were priced, in all material respects, in accordance with the pricing policies of the Group.
- (iii) the disclosed continuing connected transactions were entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (iv) with respect to the aggregate amount of each of the continuing connected transactions, have not exceeded the annual cap as disclosed in the Prospectus of the Company.

REPORT OF THE DIRECTORS

Save for the above continuing connected transactions, there are no other transactions as set out in the note 30 to the consolidated financial statements of this annual report which constitute continuing connected transactions or connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the continuing connected transactions mentioned above.

CONNECTED TRANSACTION

The following transaction constituted the connected transaction of the Company under the Listing Rules during the year ended 31 December 2021 and up to the date of this annual report:

On 2 March 2021, TLP Investment Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser), Ms. Wong Chiu Ling and Mr. So Cheuk Ming, both being connected persons of the Company (as the vendors) entered into a sale and purchase agreement, pursuant to which the vendors agreed to sell and TLP Investment Limited agreed to purchase a property in Hong Kong at the consideration of HK\$9,500,000. Accordingly, the acquisition of the property constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. 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 annual report.

PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles of Association provides that the Directors or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to the relevant Director or officer of the Company.

Such permitted indemnity provision (as defined in the Hong Kong Companies Ordinance, Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors has been in force throughout the year.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2021, the Group did not make any charitable contributions.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 55 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2021 and at any time up to the date of this annual report.



REPORT OF THE DIRECTORS

MATERIAL LEGAL PROCEEDINGS AND COMPLIANCE

To the best knowledge of our Directors, as at 31 December 2021, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

During the year ended 31 December 2021 and up to the date of this report, to the best of knowledge of the Company, the Group has complied with all the relevant laws and regulations.

AUDIT COMMITTEE

The annual results and the financial statements of the Group and of the Company for the year ended 31 December 2021 together with the notes attached thereto have been reviewed by the audit committee of the Company (the “**Audit Committee**”), which was of the opinion that such statements complied with the applicable Hong Kong Financial Reporting Standards, the Listing Rules and the legal requirements, and that adequate disclosure has been made.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting of the Company.

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.

Save as disclosed, there are no significant events subsequent to 31 December 2021 which would materially affect the Group’s and the Company’s operating and financial performance as of the date of this annual report.

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 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group's corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of the Listing Rules. Saved for the deviation from A.2.1 of the CG Code as disclosed below, the Company has complied with the code provisions during the year ended 31 December 2021.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Daily business operations and administrative functions of the Group are delegated to the management. The Board will conduct periodic review on the cope of delegation of duties and responsibilities. Management should seek approval by the Board prior to signing any material contracts.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged the directors and officers liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Composition of the Board

As at the date of this annual report, the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The current members of the Board are listed below:

| Name | Position |
|--|---|
| Ms. Wong Han Yu Alice (<i>Chairperson</i>) | Chairperson, Executive Director and Chief Executive Officer |
| Mr. Wong Chiu Wai | Executive Director |
| Ms. Jiang Yin Juan | Executive Director |
| Mr. Wong Leung Yau | Non-executive Director |
| Ms. Wong Siu Yin Rosella | Independent non-executive Director |
| Mr. Lai Chun Yu | Independent non-executive Director |
| Mr. Cui Yu Shu | Independent non-executive Director |



CORPORATE GOVERNANCE REPORT

Biography of each Director, including the relationship between Board members, is set out in the section headed “Directors and Senior Management Profile” of this annual report.

During the year ended 31 December 2021, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, as the number of independent non-executive Directors of the Company exceeds one third of the number of the Board members. According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the year ended 31 December 2021. The Nomination Committee has assessed their independence having regard to the requirement under Rule 3.13 the Listing Rules. Therefore, the Company considers each of them to be independent.

Except for the family relationship between Ms. Wong Han Yu Alice (our executive Director), Mr. Wong Chiu Wai (our executive Director) and Mr. Wong Leung Yau (our non-executive Director) as disclosed in the biographical details set out in the section headed “Directors and Senior Management Profile” on pages 15 to 18 of this annual report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefit of having a diverse board and has adopted a board diversity policy (the “**Board Diversity Policy**”). Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on our Board.

Our Directors (including the independent non-executive Directors) have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, finance, investment, legal, auditing and accounting. All independent non-executive Directors serve on the Audit Committee and two of the three independent non-executive Directors serve on both the Remuneration Committee and the Nomination Committee.

DIRECTORS’ CONTINUOUS TRAINING AND DEVELOPMENT

Each newly appointed Director receives comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Continuing briefing and professional development for Directors will be arranged whenever necessary.

All Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Reading materials on relevant topics will be provided by the joint company secretaries of the Company to Directors where appropriate.

CORPORATE GOVERNANCE REPORT

A summary of the trainings attended by the Directors for the year ended 31 December 2021 is as follows:

| Name of Directors | Type of trainings |
|--|-------------------|
| Executive Directors | |
| Ms. Wong Han Yu Alice | A & B |
| Mr. Wong Chiu Wai | A & B |
| Ms. Jiang Yin Juan | A & B |
| Non-executive Director | |
| Mr. Wong Leung Yau | A & B |
| Independent non-executive Directors | |
| Ms. Wong Siu Yin Rosella | A & B |
| Mr. Lai Chun Yu | A & B |
| Mr. Cui Yu Shu | A & B |

Notes:

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

CHAIRMAN 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 code provision 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



CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 18 December 2019, which will be continuous thereafter until terminated by either party giving three months' written notice to the other party and is subject to the termination provisions therein. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 18 December 2019, which will be continuous thereafter until terminated by either party giving three months' written notice to the other party and is subject to the termination provisions therein. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws and regulations.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and to make recommendation to the Board regarding the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practices of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days (or shorter notice period as agreed by the Directors) are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the Board meetings or Board Committee meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and record.

CORPORATE GOVERNANCE REPORT

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

The Board met four times during the year ended 31 December 2021. The attendance record of the Board members is set out in the table below:

| Directors | Attendance/ No. of meetings held |
|--|-------------------------------------|
| Executive Directors | |
| Ms. Wong Han Yu Alice | 4/4 |
| Mr. Wong Chiu Wai | 4/4 |
| Ms. Jiang Yin Juan | 4/4 |
| Non-executive Director | |
| Mr. Wong Leung Yau | 4/4 |
| Independent non-executive Directors | |
| Ms. Wong Siu Yin Rosella | 4/4 |
| Mr. Lai Chun Yu | 4/4 |
| Mr. Cui Yu Shu | 4/4 |

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 year ended 31 December 2021.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY AND DUTIES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The summary of their work during the year ended 31 December 2021 is as follows:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

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 main duties of the Audit Committee include the following:

1. act as the key representative body for overseeing the Company's relations with the external auditor; to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and deal with any matters regarding its resignation or dismissal; to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
2. review the financial information of the Company, to monitor the integrity of the Company's financial statements, annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them, to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and give due consideration to any matters that have been raised by the Company's employees who are responsible for accounting and financial reporting, compliance officers or auditors; and
3. review the adequacy and effectiveness of the Company's financial controls, risk management and internal control system (including ensuring the adequacy of resources, qualification and experience of staff of the Company's accounting, internal audit and financial reporting function, their training programmes and budget) and associated procedures.

CORPORATE GOVERNANCE REPORT

The Audit Committee's terms of reference are available on the Company's website and the website of the Stock Exchange.

During the year under review, the Audit Committee had held 2 meetings, the attendance of the members is set out below:

| Directors | Attendance/ No. of meetings held |
|--------------------------|-------------------------------------|
| Mr. Lai Chun Yu | 2/2 |
| Ms. Wong Siu Yin Rosella | 2/2 |
| Mr. Cui Yu Shu | 2/2 |

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management systems. The Audit Committee reported that there was no material uncertainty that casts doubt on the Company's going concern ability.

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Ms. Wong Han Yu Alice (Chairman) and two independent non-executive Directors, namely Ms. Wong Siu Yin Rosella and Mr. Cui Yu Shu.

The main duties of the Nomination Committee include the following:

1. review the structure, size, composition and diversity of the Board (including but not limited to the skills, knowledge and experience of the Directors) on a regular basis and make recommendations to the Board regarding any proposed changes of the Board to complement the Company's corporate strategy;
2. identify any persons who may be suitable and qualified to become members of the Board and select, or make recommendations to the Board on the selection of, any persons nominated for directorships;
3. assess the independence of independent non-executive Directors;
4. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive office; and
5. perform duties as stipulated by the Board from time to time.



CORPORATE GOVERNANCE REPORT

In the discharge of its responsibility in item (1), the Nomination Committee takes into consideration, among others, that a diverse Board, with the appropriate qualifications and broad range of expertise relevant to the Company's business, is an essential element in maintaining a competitive advantage in the complex business industry that the Company operates in, and embraces the policy that including and making use of increasing diversity at the board level, which consists of differences in the skills, experience, background, race, gender and other distinctions amongst Directors, is important to achieve effective corporate governance and sustained commercial success of the Company. These differences will be considered in determining the optimum composition of the board and when possible are balanced appropriately.

In addition, in identifying individuals and making recommendations for nominations pursuant to its responsibility in item (2) above, the Nomination Committee considers whether such individuals possess the qualifications, ability and stature that would enable them to effectively fulfill their roles and responsibilities as Directors. The responsibilities of the Nomination Committee in items (1) to (4) above as further set out in its terms of reference form the key principles that constitute the Company's nomination policy.

The Nomination Committee has the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense, and is provided with sufficient resources by the Company to discharge its duties. The Nomination Committee's specific terms of reference are available on request to any Shareholders and are posted on the Company's website and the website of the Stock Exchange.

One meeting was held during the year ended 31 December 2021 for reviewing the structure, size and composition of the Board. Attendance of the members is set out below:

| Directors | Attendance/ No. of meetings held |
|--------------------------|---|
| Ms. Wong Han Yu Alice | 1/1 |
| Ms. Wong Siu Yin Rosella | 1/1 |
| Mr. Cui Yu Shu | 1/1 |

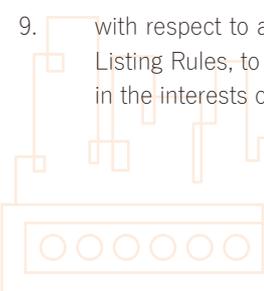
CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Wong Siu Yin Rosella (Chairman) and Mr. Cui Yu Shu and one executive Director, namely Ms. Wong Han Yu Alice.

The main duties of the Remuneration Committee include the following:

1. make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration;
2. review and approve the remuneration proposals for the Directors and senior management with reference to corporate goals and objectives stipulated by the Board from time to time;
3. determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment); or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). Where the Board resolves to approve any remuneration or compensation arrangements with which the Remuneration Committee disagrees, the Board should disclose the reasons for its resolution in its next Corporate Governance Report;
4. make recommendations to the Board on the remuneration of non-executive Directors;
5. for the purpose of determining the remuneration of Directors and employees in relation to the Company, the Remuneration Committee should consider factors including but not limited to salaries paid by comparable companies, time commitment and responsibilities of the Directors/employees, employment conditions elsewhere in the group, and whether the remuneration is commensurate with performance. The Remuneration Committee shall ensure that salary levels are able to attract and retain the Directors who contribute to the operation of the Company and shall also prevent the Company from paying excessive remuneration to Directors;
6. review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
7. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
8. ensure that no Director or any of his/her associates is involved in deciding that Director's own remuneration; and
9. with respect to any service contracts of the Directors that require the Shareholders' approval under Rule 13.68 of the Listing Rules, to advise the Shareholders as to whether the terms are fair and reasonable, whether such contracts are in the interests of the Company and its Shareholders as a whole and as to how to vote.



CORPORATE GOVERNANCE REPORT

The Remuneration Committee's terms of reference are available on the Company's website and the website of the Stock Exchange.

One meeting was held during the year ended 31 December 2021 to review the remuneration and incentive package of the senior management. Attendance of the members is set out below:

| Directors | Attendance/ No. of meetings held |
|--------------------------|-------------------------------------|
| Ms. Wong Siu Yin Rosella | 1/1 |
| Ms. Wong Han Yu Alice | 1/1 |
| Mr. Cui Yu Shu | 1/1 |

Details of the remuneration of each Director for the year ended 31 December 2021 are set out in the Note 32 to the consolidated financial statements in this annual report.

Remuneration by bands

The remuneration paid or payable to the Directors and senior management (their biographies are set out in pages 15 to 18 of this annual report) during the year ended 31 December 2021 fell within the following bands:

| Emolument band | Number of individuals |
|-------------------------------|-----------------------|
| HK\$1,000,001 – HK\$2,100,000 | 2 |
| Nil – HK\$1,000,000 | 5 |

DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2021.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

As at 31 December 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The statements by external auditor, PricewaterhouseCoopers, Certified Public Accountants, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in pages 56 to 60 of this annual report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to policies and procedures on revenue and purchase, treasury and risk management, etc.

The internal audit department, which is independent to the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls.

The internal audit department also formulates the internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the management on any key findings and progress of the internal audit process.

The Audit Committee which comprises all the independent non-executive Directors has the duties to, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements.

In addition, the executive Directors have attended external continuous training sessions relating to corporate governance to further enhance their knowledge on various on-going obligations and duties of a listed issuer and its directors under the Listing Rules and the Hong Kong Code on Takeovers and Mergers.

The external auditor, in the course of their audit, obtained an understanding of internal controls relevant to the Group's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Any significant deficiencies noted during the course of the audit in such internal controls relevant to audit of the Group's consolidated financial statements will be reported to the Audit Committee at least once a year. After due and careful inquiries, the Audit Committee and the Board considered the policies and procedures of internal control covering all material controls including financial, operational and compliance controls and risk management system are effective and adequate and will conduct ongoing review on the effectiveness of the system. The Audit Committee also considered, after due and careful inquiries, that the Company has complied with the internal control system and the relevant accounting, financial and Listing Rules requirements.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.



CORPORATE GOVERNANCE REPORT

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

The Board has conducted a review of the effectiveness of the Group's internal control system and risk management functions in respect of the year ended 31 December 2021, and is satisfied that such systems are effective and adequate.

EXTERNAL AUDITORS' REMUNERATION

For the year ended 31 December 2021, the auditors' remuneration of the Group are listed below:

| Type of Service | Amount RMB |
|----------------------------|---------------|
| Audit related services | 1,180,000 |
| Non-audit related services | Nil |

JOINT COMPANY SECRETARIES

Ms. Chan Siu Yin ("**Ms. Chan**") was appointed as a joint company secretary on 14 March 2019. She is responsible for giving advices to the Board regarding the corporate governance, ensure that the Board procedures and all applicable laws are followed, facilitating communications among Directors as well as with management.

In order to enhance the corporate governance and ensure compliance with the Listing Rules, the laws and regulations applicable in Hong Kong, the Group also appointed Ms. Wong Sau Ping ("**Ms. Wong**"), as our joint company secretary with effect from 14 March 2019. Ms. Wong is an associate director of the Listing Services Department of TMF Hong Kong Limited, which is a global corporate services provider. Ms. Wong will provide assistance and guidance to Ms. Chan in the discharge of her duties as a joint company secretary. The primary contact person of Ms. Wong at the Company is Ms. Chan.

Pursuant to Rule 3.29 of the Listing Rules, both Ms. Chan and Ms. Wong will also attend in each financial year not less than 15 hours of relevant professional training courses to familiarise themselves with the requirements under the Listing Rules as well as other applicable Hong Kong laws and regulations.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

The Company held two general meetings, being one annual general meeting and one extraordinary general meeting, in 2021. The attendance record of the Directors at such meetings is set out in the table below:

| Directors | Attendance/ No. of meetings held |
|--|-------------------------------------|
| Executive Directors | |
| Ms. Wong Han Yu Alice | 2/2 |
| Mr. Wong Chiu Wai | 2/2 |
| Ms. Jiang Yin Juan | 2/2 |
| Non-executive Director | |
| Mr. Wong Leung Yau | 2/2 |
| Independent non-executive Directors | |
| Ms. Wong Siu Yin Rosella | 2/2 |
| Mr. Lai Chun Yu | 2/2 |
| Mr. Cui Yu Shu | 2/2 |

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has also been provided to the shareholders through financial reports and announcements.

The Company has set up a website at (www.tailamgroup.com) as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company.



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Poll results announcement will be posted on the websites of the Company and the Stock Exchange in the manner prescribed by the Listing Rules.

Right to convene an extraordinary general meeting and putting forward proposals

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. General meetings may be held in any part of the world as may be determined by the Board.

Any one or more Shareholders holding as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

ENQUIRIES

Shareholders, investors and interested parties can put forward enquiries or requests as mentioned above to the Company through the following means:

By e-mail: (General) info@tailamgroup.com
(Investor Relations) ir@tailamgroup.com
Telephone number: +852 3499 1499

CHANGE IN CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2021.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Tailam Tech Construction Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tailam Tech Construction Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 61 to 120, which comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the impairment assessment of trade receivables.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>Impairment assessment of trade receivables</p> <p>Refer to Note 2.9 “Impairment of financial assets”, Note 3.1.3 “Credit risk”, Note 4 “Critical accounting estimates and judgements” and Note 18 “Trade and other receivables” to the consolidated financial statements.</p> <p>The Group’s trade receivables amounted to RMB159 million before the allowance for bad and doubtful debts of RMB11 million as at 31 December 2021. An impairment losses provision for bad and doubtful debts of RMB7 million was charged to profit or loss during the year ended 31 December 2021.</p> <p>Loss allowances for trade receivables are based on management’s estimate of the lifetime expected credit losses (“ECL”) by assessing future cash flows of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on rolling historical credit loss experience by aging pattern, credit and settlement history, financial capability of its customers, recent settlements received and the current market situation, and applying them to the receivables held at year end.</p> <p>The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.</p> <p>We identified this as a key audit matter because the carrying amount of trade receivables is significant to the consolidated financial statements and the impairment assessment of trade receivables required significant management judgement and estimates.</p> | <p>In responding to the impairment assessment of trade receivables, we performed the following procedures:</p> <ul style="list-style-type: none"> – Obtained an understanding of the management’s internal control over credit risk assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, in particular those over debt collection, credit loss provisioning methodologies used by the Group and estimation of expected credit losses; – Discussed with management to understand the nature and the judgment involved in estimating the expected credit loss provision on trade receivables; – Evaluated the appropriateness of the historical period selected by management for tracking of revenue settlement and the determination of shared credit risk characteristics based on knowledge of the construction industry and the Group’s historical average write-off experience. Tested on a sample basis the reliability of key data used to calculate the historical default rate of customers including historical credit loss experience of customers, past collection, ageing analysis and other relevant data; – Assessed and evaluated the reasonableness of the factors used in making forward-looking estimation, including changes to future macroeconomic indicators, construction industry developments and customer portfolios; and – Checked the mathematical accuracy of the ECL calculation. <p>Based on the procedures performed and evidence obtained, we found management’s judgement and estimates used in relation to the impairment assessment of trade receivables were supported by available evidence.</p> |

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

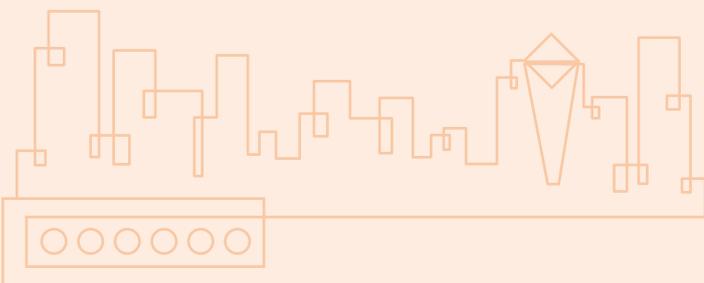
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 March 2022



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Revenue | 6 | 488,372 | 431,023 |
| Cost of sales | 7 | (436,414) | (368,750) |
| Gross profit | | 51,958 | 62,273 |
| Selling and marketing expenses | 7 | (4,127) | (2,549) |
| Administrative expenses | 7 | (38,519) | (33,405) |
| Impairment losses on financial assets | 7 | (6,662) | (3,529) |
| Other gains/(losses) – net | 9 | 1,174 | (1,035) |
| Operating profit | | 3,824 | 21,755 |
| Finance costs – net | 10 | (1,088) | (682) |
| Profit before income tax | | 2,736 | 21,073 |
| Income tax expense | 11 | (1,023) | (6,488) |
| Profit for the year attributable to owners of the Company | | 1,713 | 14,585 |
| Other comprehensive income | | | |
| – Currency translation differences | | 911 | 1,977 |
| Total comprehensive income for the year attributable to owners of the Company | | 2,624 | 16,562 |
| Earnings per share (expressed in RMB per share) | | | |
| – Basic and diluted | 12 | 0.00 | 0.04 |

The notes on pages 66 to 120 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

| | Note | As at 31 December | |
|---|------|-------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 138,432 | 120,009 |
| Intangible assets | 15 | 444 | 282 |
| Deferred income tax assets | 26 | 2,807 | 1,147 |
| | | 141,683 | 121,438 |
| Current assets | | | |
| Inventories | 17 | 23,604 | 13,584 |
| Trade and other receivables | 18 | 197,268 | 148,097 |
| Restricted cash | 20 | 39,053 | 10,200 |
| Cash and cash equivalents | 19 | 36,098 | 64,569 |
| | | 296,023 | 236,450 |
| Total assets | | 437,706 | 357,888 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 22 | 3,584 | 3,584 |
| Share premium | 22 | 153,337 | 161,574 |
| Other reserves | 23 | (12,895) | (14,794) |
| Retained earnings | | 76,145 | 75,420 |
| Total equity | | 220,171 | 225,784 |



CONSOLIDATED BALANCE SHEET

As at 31 December 2021

| | Note | As at 31 December | |
|-------------------------------------|------|-------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | 21 | 327 | – |
| Borrowings | 25 | 2,842 | – |
| | | 3,169 | – |
| Current liabilities | | | |
| Trade and other payables | 24 | 154,494 | 93,557 |
| Contract liabilities | 6(b) | 5,316 | 5,129 |
| Current income tax liabilities | | 2,744 | 3,918 |
| Borrowings | 25 | 51,311 | 29,500 |
| Lease liabilities | 21 | 501 | – |
| | | 214,366 | 132,104 |
| Total liabilities | | 217,535 | 132,104 |
| Total equity and liabilities | | 437,706 | 357,888 |

The notes on pages 66 to 120 are an integral part of these financial statements.

The consolidated financial statements on pages 61 to 120 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

Wong Han Yu Alice
Director

Jiang Yin Juan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to owners of the Company | | | | | |
|--|---------------------------------------|---------------------------------------|--------------------------|--|------------------------------|------------------|
| | Note | Share capital RMB'000 (Note 22) | Share premium RMB'000 | Other reserves RMB'000 (Note 23) | Retained earnings RMB'000 | Total RMB'000 |
| Balance at 1 January 2020 | | 3,584 | 161,574 | (19,315) | 63,379 | 209,222 |
| Comprehensive income | | | | | | |
| Profit for the year | | – | – | – | 14,585 | 14,585 |
| Other comprehensive income | | | | | | |
| Currency translation differences | | – | – | 1,977 | – | 1,977 |
| Total comprehensive income | | – | – | 1,977 | 14,585 | 16,562 |
| Transactions with owners of the Company | | | | | | |
| Appropriation of statutory reserves | | – | – | 2,544 | (2,544) | – |
| | | – | – | 2,544 | (2,544) | – |
| Balance at 31 December 2020 | | 3,584 | 161,574 | (14,794) | 75,420 | 225,784 |
| Balance at 1 January 2021 | | 3,584 | 161,574 | (14,794) | 75,420 | 225,784 |
| Comprehensive income | | | | | | |
| Profit for the year | | – | – | – | 1,713 | 1,713 |
| Other comprehensive income | | | | | | |
| Currency translation differences | | – | – | 911 | – | 911 |
| Total comprehensive income | | – | – | 911 | 1,713 | 2,624 |
| Transactions with owners of the Company | | | | | | |
| Dividends paid | | – | (8,237) | – | – | (8,237) |
| Appropriation of statutory reserves | | – | – | 988 | (988) | – |
| | | – | (8,237) | 988 | (988) | (8,237) |
| Balance at 31 December 2021 | | 3,584 | 153,337 | (12,895) | 76,145 | 220,171 |

The notes on pages 66 to 120 are an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | Year ended 31 December | |
|---|------|------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Operating activities | | | |
| Cash (used in)/generated from operating activities | 28 | (9,035) | 64,269 |
| Income tax paid | | (3,857) | (4,776) |
| Net cash (used in)/generated from operating activities | | (12,892) | 59,493 |
| Investing activities | | | |
| Purchase of property, plant and equipment | 14 | (30,207) | (67,647) |
| Purchase of intangible assets | 15 | (254) | (200) |
| Proceeds from disposal of property, plant and equipment | | – | 48 |
| Net cash used in investing activities | | (30,461) | (67,799) |
| Financing activities | | | |
| Repayment of loans to controlling shareholder | | – | (1,216) |
| Professional expenses paid in connection with issuance of new shares during the listing process | | – | (924) |
| Proceeds from bank borrowings | | 148,208 | 29,500 |
| Repayments of bank borrowings | | (123,555) | (38,500) |
| Interest paid | | (1,148) | (888) |
| Dividend Paid | | (8,237) | – |
| Lease payments (including interest paid) | | (431) | (255) |
| Net cash generated/(used in) from financing activities | | 14,837 | (12,283) |
| Net decrease in cash and cash equivalents | | (28,516) | (20,589) |
| Cash and cash equivalents at beginning of the year | | 64,569 | 84,553 |
| Effect of exchange rate changes on cash and cash equivalents | | 45 | 605 |
| Cash and cash equivalents at end of the year | | 36,098 | 64,569 |

The notes on pages 66 to 120 are an integral part of these financial statements.

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, 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").

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(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.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

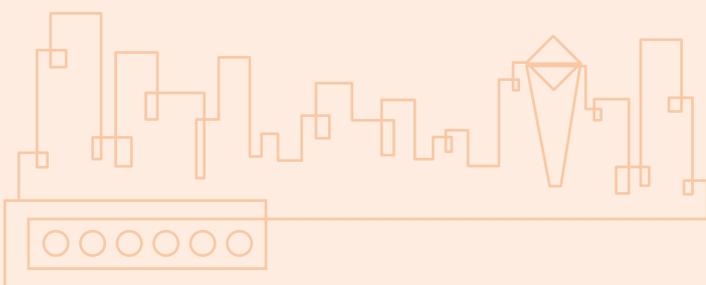
Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transaction with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (“**CODM**”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within “other gains/(losses)–net”.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities are translated at the closing rate at the date of each balance sheet;
- ii. income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii. all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|--------------------------------|-------------|
| – Leasehold land and buildings | 10–26 years |
| – Transportation equipment | 4–5 years |
| – Office equipment | 3–10 years |
| – Machinery | 5–10 years |
| – Land use rights | 50 years |
| – Right-of-use assets | 2–5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets

(i) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(ii) Research and development

Development costs that are directly attributable to the design and testing of identifiable and unique products are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the products so that it will be available for sale in future;
- management intends to complete the products and use or sell it;
- there is an ability to use or sell the products;
- it can be demonstrated how the products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the products are available; and
- the expenditure attributable to the products during its development can be reliably measured.

Other research and development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 16 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or gains on reversal of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses)-net". Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income.

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as "other income-net" when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in "fair value gains on financial assets at fair value through profit or loss" in profit or loss as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of financial assets

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 only, 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.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade, notes and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, notes and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods to the customer. The combination of those rights and obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligation. Contract liabilities are recognised for goods to be transferred to customers represented by the excess of consideration received from the customers according to agreed customer billing schedules over cumulative revenue recognised.

2.13 Cash and cash equivalents, restricted cash

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks. Bank deposits which are restricted to use are included in “restricted cash” on the consolidated balance sheets.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing benefits

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each year. Contributions to the housing funds are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue from sales of commercial concrete, PHC piles and ceramsite concrete blocks

Revenue from sales of commercial concrete, PHC piles and ceramsite concrete blocks are recognised at a point in time, when a group entity has delivered the goods to the customer; the customer has accepted the goods; the Group has present right to payment and the collection of the consideration is probable.

2.21 Interest income

Interest income is recognised using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases (Continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amounts of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets related to lease of properties are recorded under property, plant and equipment (Note 14). Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

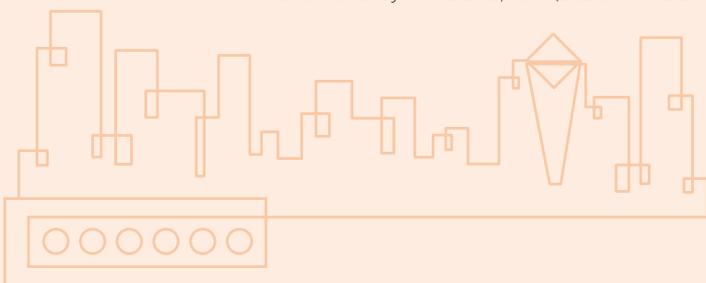
3.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits denominated in Hong Kong Dollar ("HK\$"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in HK\$. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The majority of the subsidiaries of the Group operate in the PRC and most of their transactions are denominated in RMB. The Group did not have other significant exposure to foreign exchange risk.

3.1.2 Interest rate risk

The Group's interest rate risk arises from restricted cash, cash and cash equivalents and bank borrowings. Bank balances carried at prevailing market interest rate expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates exposes the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

If interest rates on bank borrowings at floating rates had been 100 basis points higher or lower with all other variables held constant, interest expenses for the year ended 31 December 2021 would increase or decrease by RMB255,000 (2020: RMB143,000).



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk

The Group is exposed to credit risk in relation to its trade, notes and other receivables and cash deposits with banks.

The carrying amounts of trade, notes and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

While the cash and cash equivalents and notes receivable are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

For trade receivables, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forwarding looking estimates based on changes to future macroeconomic indicators, construction industry developments and customer portfolios.

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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Credit risk (Continued)

Trade receivables (Continued)

As at 31 December 2021 and 2020, the loss allowance provision for trade receivables was determined as follows:

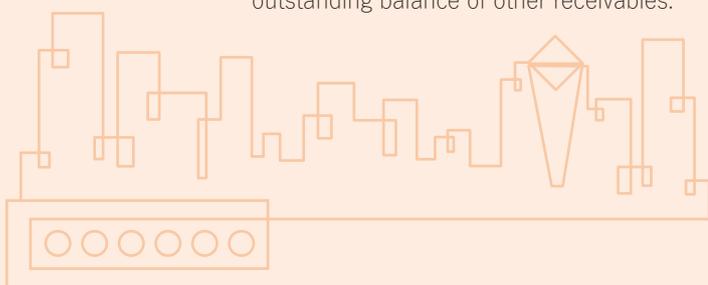
| Trade receivables | Within 1 month | 1 to 6 months | 6 months to 1 year | 1 to 2 years | Over 2 years | Individual assessment | Total |
|---------------------------------|-------------------|------------------|-----------------------|-----------------|-----------------|--------------------------|----------|
| As at 31 December 2021 | | | | | | | |
| Expected loss rate | 0% | 2% | 11% | 65% | 100% | 27% | |
| Gross carrying amount (RMB'000) | 37,430 | 79,194 | 18,041 | 1,428 | 639 | 22,246 | 158,978 |
| Lifetime ECL | - | (1,584) | (1,985) | (928) | (639) | (6,012) | (11,148) |
| Net carrying amount | 37,430 | 77,610 | 16,056 | 500 | - | 16,234 | 147,830 |
| As at 31 December 2020 | | | | | | | |
| Expected loss rate | 0% | 1% | 8% | 40% | 100% | 100% | |
| Gross carrying amount (RMB'000) | 39,025 | 53,096 | 21,126 | 5,628 | 40 | - | 118,915 |
| Lifetime ECL | - | (531) | (1,690) | (2,225) | (40) | - | (4,486) |
| Net carrying amount | 39,025 | 52,565 | 19,436 | 3,403 | - | - | 114,429 |

Other receivables

Other receivables at the end of each reporting period were mainly rental and other deposits. The directors of the Company consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayment demanded.

The directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of other receivables.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.4 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings, to meet its daily operation and working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|-------------------------------|--------------------------------|----------------------------|----------------------------|------------------|
| As at 31 December 2021 | | | | |
| Borrowings | 53,215 | 987 | 2,342 | 56,544 |
| Trade and other payables (*) | 151,003 | – | – | 151,003 |
| Lease liability | 540 | 346 | – | 886 |
| | 204,758 | 1,333 | 2,342 | 208,433 |
| As at 31 December 2020 | | | | |
| Borrowings | 29,500 | – | – | 29,500 |
| Trade and other payables (*) | 91,425 | – | – | 91,425 |
| Lease liability | – | – | – | – |
| | 120,925 | – | – | 120,925 |

* Excluding other tax payables and accrued payroll

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheets. Net borrowings are calculated as total borrowings less total of cash and cash equivalents and restricted cash.

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Borrowings | 54,153 | 29,500 |
| Less: cash and cash equivalents (Note 19) | (36,098) | (64,569) |
| Less: restricted cash (Note 20) | (39,053) | (10,200) |
| Net assets | (20,998) | (45,269) |
| Total equity | 220,171 | 225,784 |
| Gearing ratio | N/A | N/A |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Expected credit loss for receivables

The impairment provisions for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates based on changes to future macroeconomic indicators, construction industry developments and customer portfolios. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in Note 3.1.3 and Note 18.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC and profits tax in Hong Kong. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the manufacturing and sale of commercial concrete, PHC piles and ceramsite concrete block in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment. A measure of segment assets and liabilities is not disclosed as such measure is not regularly provided to the CODM.

The major operating entity of the Group is domiciled in the PRC. All of the Group's revenue are derived in the PRC.

As at 31 December 2021 and 2020, the non-current assets of RMB140,900,000 (2020: RMB121,438,000) and RMB7,830,000 (2020: Nil) were located in the PRC and Hong Kong respectively.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 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 RMB'000 | 2020 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 RMB'000 | 2020 RMB'000 |
| Contract liabilities | 5,316 | 5,129 |

(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.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

(b) Contract liabilities (Continued)

(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 RMB'000 | 2020 RMB'000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | 5,129 | 5,853 |

(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.

(c) Revenue from major customers who have individually contributed over 10% or more of the total revenue of the Group:

| | Year ended 31 December | |
|------------|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Customer A | N/A | 57,755 |
| Customer B | N/A | 43,485 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

7 EXPENSES BY NATURE

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Raw materials and consumables used | 411,205 | 336,807 |
| Changes in inventories of finished goods | (9,682) | (1,394) |
| Employee benefit expenses (Note 8) | 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 |
| | 485,722 | 408,233 |

8 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Wages, salaries and bonuses | 13,782 | 11,660 |
| Pension costs – defined contribution plans (Note (a)) | 702 | (227) |
| Other social security costs, housing benefits and other employee benefits | 1,919 | 926 |
| | 16,403 | 12,359 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

8 EMPLOYEE BENEFIT EXPENSES (Continued)

- (a) Employees of the Group's PRC subsidiaries are required to participate in the defined contribution retirement schemes administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds to the schemes to fund the retirement benefits of the employees, which are calculated on certain percentage of the employee salaries.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

As at 31 December 2021 and 2020, there were no forfeited contributions available to reduce future contributions.

During the year ended 31 December 2020, the credit amount of pension costs for the current year was resulted from the reduction of pension contribution according to the COVID-19 related policy issued by the relevant authorities during the year and the over-provision of pension costs in prior years.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2020: three) directors for the year ended 31 December 2021, whose emoluments are disclosed in the analysis shown in Note 32. The emoluments payable to the remaining two (2020: two) individuals during the year are as follows:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Salaries, housing allowances, other allowances and benefits in kind | 1,154 | 987 |

Their emoluments fell within the following band:

| | Number of individuals Year ended 31 December | |
|-------------------------------------|---|------|
| | 2021 | 2020 |
| Emolument band Nil–HK\$1,000,000 | 2 | 2 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

9 OTHER GAINS/(LOSSES) – NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Government grants (a) | 1,782 | 5,551 |
| Gains on disposal of right-of-use assets | – | 218 |
| Losses on disposal of property, plant and equipment | – | (3,686) |
| Exchange losses | (1,302) | (2,509) |
| Others | 694 | (609) |
| | 1,174 | (1,035) |

(a) Governments grants for the year ended 31 December 2021 mainly represent subsidy offered to the Group in connection with its technology development.

Governments grants for the year ended 31 December 2020 mainly represent the subsidy offered to the Group in connection with its successful listing in Hong Kong and other operating subsidies for manufacturing industries.

There were no unfulfilled conditions or other contingencies related to these grants.

10 FINANCE COSTS – NET

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 INCOME TAX EXPENSE

| | Year ended 31 December | |
|-------------------------------|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Current income tax | | |
| – PRC corporate income tax | 2,683 | 6,542 |
| Deferred income tax (Note 26) | | |
| – PRC corporate income tax | (1,660) | (54) |
| | 1,023 | 6,488 |

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 RMB'000 | 2020 RMB'000 |
| Profit before income tax | 2,736 | 21,073 |
| 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 | (1,917) | (1,945) |
| | 1,023 | 6,488 |

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 practises in respect thereof.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

11 INCOME TAX EXPENSE (Continued)

PRC corporate income tax (Continued)

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.

12 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 (RMB'000) | 1,713 | 14,585 |
| 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 year (expressed in RMB per share) | 0.00 | 0.04 |

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2020 and 2021:

| Company name | Place and date of incorporation/ establishment | Issued and paid-up capital/ registered capital | Attributable equity interest of the Group as at 31 December 2021 | Attributable equity interest of the Group as at 31 December 2020 | Principal activities and place of operation | Type of legal entity |
|--------------------------------------|--|--|--|--|--|---------------------------|
| Directly owned: | | | | | | |
| Tailam Investment Holdings Limited | BVI, 15 March 2019 | US\$1/ US\$50,000 | 100% | 100% | Investment holding | Limited liability company |
| Indirectly owned: | | | | | | |
| Tailam Group Holdings Limited | Hong Kong, 21 August 2014 | HK\$100,000/ HK\$100,000 | 100% | 100% | Investment holding in Hong Kong, the PRC | Limited liability company |
| TLP Investment Limited | Hong Kong, 21 January 2021 | HK\$1/ HK\$1 | 100% | N/A | Property holding in Hong Kong, the PRC | Limited liability company |
| Pivot Capital Investment Limited | Hong Kong, 28 September 2021 | HK\$100/ HK\$100 | 100% | N/A | Investment holding in Hong Kong, the PRC | Limited liability company |
| Pivot Capital Investment Limited | BVI, 10 August 2021 | US\$100/ US\$50,000 | 100% | N/A | Investment holding in Hong Kong, the PRC | Limited liability company |
| Jiangsu Tailam Construction Co., Ltd | The PRC, 29 June 2011 | RMB70,291,667/ RMB70,291,667 | 100% | 100% | Manufacturing and sale of commercial concrete and PHC piles in the PRC | Limited liability company |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 PROPERTY, PLANT AND EQUIPMENT

| | Land use rights RMB'000 | Right-of-use assets RMB'000 | Leasehold land and buildings RMB'000 | Transportation equipment RMB'000 | Office equipment RMB'000 | Machinery RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|------------------------------------|-------------------------------|-----------------------------------|---|--|--------------------------------|----------------------|--|------------------|
| Year ended 31 December 2021 | | | | | | | | |
| Opening net book amount | 11,923 | – | 54,935 | 8,387 | 1,013 | 38,599 | 5,152 | 120,009 |
| Additions | 2,357 | 1,224 | 9,361 | 2,716 | 358 | 4,667 | 10,748 | 31,431 |
| Transfers | – | – | 3,266 | – | 42 | 11,399 | (14,707) | – |
| Depreciation charge | (340) | (386) | (3,170) | (2,125) | (291) | (6,696) | – | (13,008) |
| Closing net book amount | 13,940 | 838 | 64,392 | 8,978 | 1,122 | 47,969 | 1,193 | 138,432 |
| As at 31 December 2021 | | | | | | | | |
| Cost | 16,786 | 1,224 | 73,896 | 12,856 | 2,003 | 70,887 | 1,193 | 178,845 |
| Accumulated depreciation | (2,846) | (386) | (9,504) | (3,878) | (881) | (22,918) | – | (40,413) |
| Net book amount | 13,940 | 838 | 64,392 | 8,978 | 1,122 | 47,969 | 1,193 | 138,432 |
| Year ended 31 December 2020 | | | | | | | | |
| Opening net book amount | 12,217 | 288 | 29,995 | 481 | 801 | 17,858 | 1,192 | 62,832 |
| Additions | – | – | – | 8,401 | 125 | 11,718 | 47,403 | 67,647 |
| Transfers | – | – | 27,065 | – | 343 | 16,035 | (43,443) | – |
| Disposals | – | (16) | (468) | – | (1) | (3,265) | – | (3,750) |
| Depreciation charge | (294) | (272) | (1,657) | (495) | (255) | (3,747) | – | (6,720) |
| Closing net book amount | 11,923 | – | 54,935 | 8,387 | 1,013 | 38,599 | 5,152 | 120,009 |
| As at 31 December 2020 | | | | | | | | |
| Cost | 14,429 | 690 | 61,341 | 10,140 | 1,603 | 54,821 | 5,152 | 148,176 |
| Accumulated depreciation | (2,506) | (690) | (6,406) | (1,753) | (590) | (16,222) | – | (28,167) |
| Net book amount | 11,923 | – | 54,935 | 8,387 | 1,013 | 38,599 | 5,152 | 120,009 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses were charged to the following categories of expenses:

| | Year ended 31 December | |
|--------------------------------|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Cost of sales | 9,330 | 3,628 |
| Administrative expenses | 3,592 | 3,024 |
| Selling and marketing expenses | 86 | 68 |
| | 13,008 | 6,720 |

Construction in progress mainly comprises buildings under construction in the PRC.

As at 31 December 2021, leasehold land and buildings of RMB23,378,000 (2020: RMB16,503,000) were pledged as collateral for the Group's borrowings (Note 25).

As at 31 December 2021, land use rights of RMB11,629,000 (2020: RMB11,923,000) was pledged as collateral for the Group's borrowings (Note 25).

As at 31 December 2021, the ownership certificate was not obtained for the Group's buildings with a net carrying value of RMB2,196,000 (2020: RMB11,610,000) and the vehicle license for the Group's transportation equipment was held by Ms. Wong on behalf of the Group with a net carrying value of RMB26,000 (2020: RMB26,000). Management is of the view that the aforesaid matters do not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

Certain comparative figures have been reclassified to conform with the current period's presentation.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

15 INTANGIBLE ASSETS

| | Computer software RMB'000 |
|------------------------------------|-------------------------------------|
| Year ended 31 December 2021 | |
| Opening net book amount | 282 |
| Additions | 254 |
| Amortisation | (92) |
| Closing net book amount | 444 |
| As at 31 December 2021 | |
| Cost | 722 |
| Accumulated amortisation | (278) |
| Net book amount | 444 |
| Year ended 31 December 2020 | |
| Opening net book amount | 121 |
| Additions | 200 |
| Amortisation | (39) |
| Closing net book amount | 282 |
| As at 31 December 2020 | |
| Cost | 468 |
| Accumulated amortisation | (186) |
| Net book amount | 282 |

Amortisation of intangible assets has been charged to profit or loss as follows:

| | Year ended 31 December | |
|-------------------------|-------------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Cost of sales | 74 | – |
| Administrative expenses | 18 | 39 |
| | 92 | 39 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

16 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Financial assets at amortised cost | | |
| Trade and other receivables (excluding prepayments) | 164,537 | 128,296 |
| Cash and cash equivalents | 36,098 | 64,569 |
| Restricted cash | 39,053 | 10,200 |
| | 239,688 | 203,065 |
| Financial liabilities at amortised cost | | |
| Trade and other payables (excluding other tax payables and accrued payroll) | 151,003 | 91,425 |
| Borrowings | 54,153 | 29,500 |
| Lease liabilities | 828 | – |
| | 205,984 | 120,925 |

17 INVENTORIES

| | As at 31 December | |
|----------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Raw materials | 7,201 | 6,863 |
| Finished goods | 16,403 | 6,721 |
| | 23,604 | 13,584 |

During the year ended 31 December 2021, the cost of the Group's inventories recognised as an expense included in cost of sales amounted to RMB391,622,000 (2020: RMB325,791,000), and included in administrative expenses amounted to RMB9,237,000 (2020: RMB9,622,000) which was used for research and development purposes.

During the years ended 31 December 2020 and 2021, there were no write-down of inventories.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 TRADE AND OTHER RECEIVABLES

The Group

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Trade receivables (Note (a)) | | |
| – Third parties | 158,978 | 118,915 |
| Less: allowance for impairment of trade receivables | (11,148) | (4,486) |
| | 147,830 | 114,429 |
| 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 |
| | 1,228 | 2,934 |
| Less: allowance for impairment of other receivables | (81) | (101) |
| | 1,147 | 2,833 |
| Prepayments for purchase of raw materials, plant and machinery | | |
| – Third parties | 32,731 | 19,838 |
| Notes receivable | | |
| – Third parties | 15,560 | 10,997 |
| | 197,268 | 148,097 |

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 TRADE AND OTHER RECEIVABLES (Continued)

The Group (Continued)

(a) (Continued)

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 RMB'000 | 2020 RMB'000 |
| 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% |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

18 TRADE AND OTHER RECEIVABLES (Continued)

The Group (Continued)

(a) (Continued)

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

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| 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 RMB'000 | 2020 RMB'000 |
| 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 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

19 CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|------------------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Cash at bank and in hand: | | |
| – Denominated in RMB | 34,619 | 55,102 |
| – Denominated in Hong Kong Dollars | 1,479 | 9,467 |
| | 36,098 | 64,569 |

The conversion of RMB denominated balances into foreign currencies and the remittance of foreign currency denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating bank deposit rates.

20 RESTRICTED CASH

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



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

21 LEASES

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheet show the following amounts relating to leases:

| | As at 31 December | |
|---------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Right-of-use assets | 838 | – |

| | As at 31 December | |
|--------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Lease liabilities | | |
| Current | 501 | – |
| Non-current | 327 | – |
| | 828 | – |

Additions to the right-of-use assets during the year ended 31 December 2021 was RMB1,224,000 (2020: nil).

(b) Amounts recognised in profit or loss

The consolidated statement of comprehensive income shows the following amounts relating to leases:

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Amortisation of right-of-use assets | 386 | 272 |
| Interest expense (included in finance costs–net) | 35 | 12 |
| Expense relating to short-term leases (included in administrative expenses) | 82 | 413 |

The total cash outflow from financing activities for leases for the year ended 31 December 2021 was RMB431,000 (2020: RMB255,000).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

22 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 | 400,000,000 | 4,000,000 | 3,584 | 153,337 | 156,921 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

23 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)) | 988 | – | – | 988 |
| As at 31 December 2021 | 14,479 | (4,414) | (22,960) | (12,895) |
| 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)) | 2,544 | – | – | 2,544 |
| As at 31 December 2020 | 13,491 | (5,325) | (22,960) | (14,794) |

(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.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

24 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|-----------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Trade payables (Note (a)) | | |
| – Third parties | 110,391 | 79,695 |
| Other payables | | |
| – Related parties (Note 30) | – | 20 |
| – Third parties | 379 | 410 |
| Notes payable | 39,053 | 10,200 |
| Accrued payroll | 2,447 | 1,893 |
| Accrued audit fees | 1,180 | 1,100 |
| Other tax payables | 1,044 | 239 |
| | 154,494 | 93,557 |

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 RMB'000 | 2020 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 | 286 | 375 |
| | 110,391 | 79,695 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

25 BORROWINGS

Non-current

| | As at 31 December | |
|--------------------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Long-term bank borrowings (Note (a)) | | |
| – Secured bank borrowings | 3,018 | – |
| Less: current portion | (176) | – |
| | 2,842 | – |

Current

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Current portion of long-term bank borrowings | | |
| – Secured bank borrowings | 176 | – |
| Short-term bank borrowings (Note (b)) | | |
| – Secured bank borrowings | 31,635 | 29,500 |
| – Unsecured bank borrowings | 19,500 | – |
| | 51,311 | 29,500 |

All of the Group's borrowings are denominated in RMB and HKD as follows:

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| HKD | 4,653 | – |
| RMB | 49,500 | 29,500 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

25 BORROWINGS (Continued)

(a) As at 31 December 2021, the long-term bank borrowings were secured by the Group's properties of RMB 7,830,000 located in Hong Kong.

The principal amount of long-term bank borrowings and applicable interest rate are as follows:

| | As at 31 December | | | |
|-------------------------|-------------------|--------------------------|--------|---------------|
| | 2021 | | 2020 | |
| | Amount | Interest Rate | Amount | Interest Rate |
| Secured bank borrowings | HKD3,693,000 | 2.25% p.a. over HIBOR | – | – |

The long-term bank borrowings are repayable as follows:

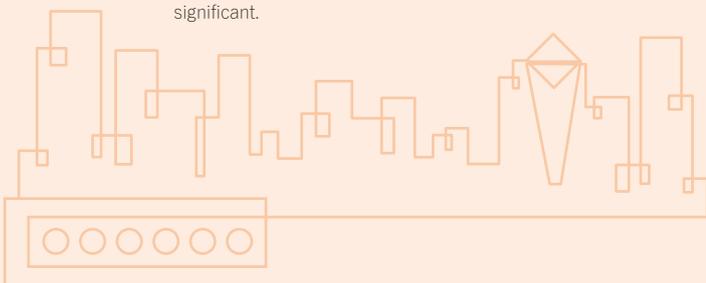
| | As at 31 December | |
|-----------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Within 1 year | 176 | – |
| Between 1 and 2 years | 181 | – |
| Between 2 and 5 years | 568 | – |
| Over 5 years | 2,093 | – |
| | 3,018 | – |

(b) As at 31 December 2021, out of the secured borrowings, RMB30,000,000 was pledged by the Group's buildings of RMB15,548,000 (2020: RMB 16,503,000) (Note 14) and the Group's land use rights of RMB11,629,000 (2020: RMB11,923,000) (Note 14), and HKD2,000,000 (approximately RMB1,635,000), together with the long term bank borrowings, were pledged by the Group's properties of RMB7,830,000 located in Hong Kong.

The principal amounts of short-term bank borrowings and applicable interest rates are as follows:

| | As at 31 December | | | |
|---------------------------|-------------------|------------------------------|---------------|------------------------------|
| | 2021 | | 2020 | |
| | Amount | Interest Rate (per annum) | Amount | Interest Rate (per annum) |
| Secured bank borrowings | RMB30,000,000 | 4.5% | RMB29,500,000 | 4.5% |
| Secured bank borrowings | HKD2,000,000 | 2.25% p.a. over HIBOR | – | – |
| Unsecured bank borrowings | RMB19,500,000 | 5.5% | – | – |

As at 31 December 2021 and 2020, the fair value of borrowings approximate their carrying amounts, as the impact of discounting is not significant.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

26 DEFERRED INCOME TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Deferred tax assets: | | |
| – Deferred tax assets to be recovered within 12 months | 2,807 | 1,147 |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Deferred tax assets – allowance on doubtful debts RMB'000 | Deferred tax assets – others RMB'000 | Deferred tax assets – social insurance and housing funds RMB'000 | Deferred tax assets – accrued expenses RMB'000 | Total RMB'000 |
|--------------------------------------|--|---|---|---|------------------|
| As at 1 January 2020 | 506 | – | 193 | 394 | 1,093 |
| Credited/(charged) to profit or loss | 641 | – | (193) | (394) | 54 |
| As at 31 December 2020 | 1,147 | – | – | – | 1,147 |
| Credited to profit or loss | 1,655 | 5 | – | – | 1,660 |
| As at 31 December 2021 | 2,802 | 5 | – | – | 2,807 |

(b) As at 31 December 2021 and 2020, the Group did not recognise deferred income tax assets of RMB3,068,000 (2020: RMB1,934,000) for the tax losses amounting to RMB18,596,000 (2020: RMB11,721,000), as their recoverability is uncertain.

27 DIVIDEND

Interim dividend of HKD10,000,000 (approximately RMB8,237,000) was declared and paid by the Company during the year (2020: nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

28 CASH (USED IN)/GENERATED FROM OPERATIONS

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Profit before income tax | 2,736 | 21,073 |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | 13,008 | 6,720 |
| – Amortisation of intangible assets | 92 | 39 |
| – Finance costs | 1,183 | 888 |
| – Impairment losses on financial assets, net | 6,662 | 3,529 |
| – Losses on disposal of property, plant and equipment and right-of-use assets | – | 3,468 |
| | 23,681 | 35,717 |
| Changes in working capital: | | |
| – Restricted cash | (28,853) | (6,769) |
| – Inventories | (10,020) | 5,209 |
| – Trade and other receivables | (57,493) | 16,104 |
| – Trade and other payables | 63,463 | 14,732 |
| – Contract liabilities | 187 | (724) |
| Cash (used in)/generated from operations | (9,035) | 64,269 |

(a) Net debt reconciliation

| | As at 31 December | |
|---------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Cash and cash equivalents | 36,098 | 64,569 |
| Restricted cash | 39,053 | 10,200 |
| Borrowings | (54,153) | (29,500) |
| Lease liabilities | (828) | – |
| Net debt | 20,170 | 45,269 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

28 CASH (USED IN)/GENERATED FROM OPERATIONS (Continued)

(a) Net debt reconciliation (Continued)

| | Cash and cash equivalents RMB'000 | Restricted cash RMB'000 | Loans from controlling shareholder RMB'000 | Borrowings RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|------------------------------------|--|-------------------------------|---|-----------------------|---------------------------------|------------------|
| Balances as at 1 January 2020 | 84,553 | 3,431 | (1,216) | (38,500) | (295) | 47,973 |
| Cash flows | (19,984) | 6,769 | 1,216 | 9,000 | 295 | (2,704) |
| Balances as at 31 December 2020 | 64,569 | 10,200 | – | (29,500) | – | 45,269 |
| Balances as at 1 January 2021 | 64,569 | 10,200 | – | (29,500) | – | 45,269 |
| Cash flows | (28,516) | 28,714 | – | (23,516) | 431 | (22,887) |
| Acquisition of right-of-use assets | – | – | – | – | (1,224) | (1,224) |
| Other changes (i) | 45 | 139 | – | (1,137) | (35) | (988) |
| Balances as at 31 December 2021 | 36,098 | 39,053 | – | (54,153) | (828) | 20,170 |

(i) Other changes include accrued interests, foreign currency translation differences and after non-cash movements.

29 COMMITMENTS

Capital commitments

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

| | As at 31 December | |
|-------------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Property, plant and equipment | – | 5,329 |

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

30 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

| Name | Relationship |
|----------|----------------------------------|
| Ms. Wong | Ultimate controlling shareholder |

(b) Transactions with related parties

Other than those related party transactions as disclosed elsewhere, there was no related party transaction during the year (2020: same).

(c) Key management compensations

Compensations to key management of the Group are set out below:

| | Year ended 31 December | |
|--------------------------------------|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Salaries and other employee benefits | 4,685 | 4,865 |

(d) Balances with related parties

| | As at 31 December | |
|------------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| – Other payables Ms. Wong | – | 20 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

31 EVENTS AFTER THE BALANCE SHEET DATE

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.

32 BENEFITS AND INTERESTS OF DIRECTORS

As at 31 December 2021, the following directors are appointed:

Executive Directors

Ms. Wong
Mr. Wong Chiu Wai
Ms. Jiang Yin Juan

Non-executive Director

Mr. Wong Leung Yau

Independent Non-executive Directors

Mr. Lai Chun Yu
Mr. Cui Yu Shu
Ms. Wong Siu Yin Rosella

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments

The directors' emoluments for the year ended 31 December 2021 are as follows:

| Name | Fees RMB'000 | Salaries RMB'000 | Pension costs – defined contribution plans RMB'000 | Other social security costs, housing benefits and other employee benefits RMB'000 | Total RMB'000 |
|--|-----------------|---------------------|---|---|------------------|
| Executive Directors | | | | | |
| Ms. Wong | 15 | 1,723 | – | 141 | 1,879 |
| Mr. Wong Chiu Wai | 15 | 1,373 | – | 113 | 1,501 |
| Ms. Jiang Yin Juan | – | 412 | – | – | 412 |
| | 30 | 3,508 | – | 254 | 3,792 |
| Non-executive Director | | | | | |
| Mr. Wong Leung Yau | – | 250 | – | 20 | 270 |
| Independent Non-executive Directors | | | | | |
| Mr. Lai Chun Yu | – | 100 | – | – | 100 |
| Mr. Cui Yu Shu | – | 100 | – | – | 100 |
| Ms. Wong Siu Yin Rosella | – | 80 | – | – | 80 |
| | – | 280 | – | – | 280 |
| | 30 | 4,038 | – | 274 | 4,342 |



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The directors' emoluments for the year ended 31 December 2020 are as follows:

| Name | Fees RMB'000 | Salaries RMB'000 | Pension costs – defined contribution plans RMB'000 | Other social security costs, housing benefits and other employee benefits RMB'000 | Total RMB'000 |
|--|-----------------|---------------------|---|---|------------------|
| Executive Directors | | | | | |
| Ms. Wong | 17 | 1,772 | – | 146 | 1,935 |
| Mr. Wong Chiu Wai | 17 | 1,412 | – | 117 | 1,546 |
| Ms. Jiang Yin Juan | – | 431 | – | 36 | 467 |
| | 34 | 3,615 | – | 299 | 3,948 |
| Non-executive Director | | | | | |
| Mr. Wong Leung Yau | – | 257 | – | 21 | 278 |
| Independent Non-executive Directors | | | | | |
| Mr. Lai Chun Yu | – | 108 | – | – | 108 |
| Mr. Cui Yu Shu | – | 80 | – | – | 80 |
| Ms. Wong Siu Yin Rosella | – | 108 | – | – | 108 |
| | – | 296 | – | – | 296 |
| | 34 | 4,168 | – | 320 | 4,522 |

(b) Directors' retirement benefits

During the years ended 31 December 2020 and 31 December 2021, there were no additional retirement benefits received by the directors except for the contributions to retirement benefit schemes as disclosed in Note (a) above.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

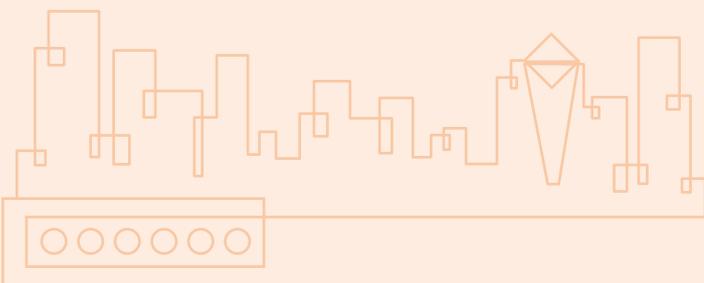
32 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Directors' termination benefits

During the years ended 31 December 2020 and 31 December 2021, there were no termination benefits received by the directors.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

33 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

| | Note | As at 31 December | |
|-------------------------------------|------|-------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Investment in a subsidiary | 13 | 70,725 | 70,725 |
| Amount due from a subsidiary | | 73,637 | 88,065 |
| | | 144,362 | 158,790 |
| Current assets | | | |
| Trade and other receivables | | 124 | – |
| Cash and cash equivalents | | 137 | 145 |
| | | 261 | 145 |
| Total assets | | 144,623 | 158,935 |
| Equity | | | |
| Share capital | (b) | 3,584 | 3,584 |
| Share premium | (b) | 153,337 | 161,574 |
| Accumulated losses | (b) | (12,335) | (6,223) |
| Total equity | | 144,586 | 158,935 |
| Liabilities | | | |
| Current liabilities | | | |
| Other payables | | 37 | – |
| | | 37 | – |
| Total equity and liabilities | | 144,623 | 158,935 |

The balance sheet of the Company was approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

Wong Han Yu Alice
Director

Jiang Yin Juan
Director

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

33 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserve movements of the Company

| | Share capital RMB'000 | Share premium RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|-----------------------------|-----------------------------|-----------------------------|----------------------------------|------------------|
| At 1 January 2020 | 3,584 | 161,574 | (882) | 164,276 |
| Comprehensive income | | | | |
| Loss for the year | – | – | (5,341) | (5,341) |
| At 31 December 2020 | 3,584 | 161,574 | (6,223) | 158,935 |
| At 1 January 2021 | 3,584 | 161,574 | (6,223) | 158,935 |
| Comprehensive income | | | | |
| Loss for the year | – | – | (6,112) | (6,112) |
| Dividends paid | – | (8,237) | – | (8,237) |
| At 31 December 2021 | 3,584 | 153,337 | (12,335) | 144,586 |

