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Tailam Tech Construction Holdings Limited

泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6193)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Tailam Tech Construction Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022 (the “**Corresponding Period**”).

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

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	125,400	147,662
Cost of sales	6	(109,783)	(133,859)
Gross Profit		15,617	13,803
Selling and marketing expenses	6	(1,711)	(1,713)
Administrative expenses	6	(14,839)	(12,636)
Reversal of impairment losses on trade and other receivables, net	6	–	933
Other gains – net	7	3,317	3,204
Operating profit		2,384	3,591
Finance costs – net	8	(606)	(859)
Profit before income tax		1,778	2,732
Income tax expense	9	(79)	(796)
Profit for the period		1,699	1,936
Other comprehensive income			
– Currency translation differences		(1,570)	(1,462)
Total comprehensive income for the period		129	474
Earnings per share (<i>expressed in RMB per share</i>)			
– Basic and diluted	11	0.004	0.005

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2023

		As at 30 June 2023	As at 31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment	12	126,066	129,677
Intangible assets		332	442
Deferred income tax assets		2,416	2,181
Prepayments		–	2,663
		<u>128,814</u>	<u>134,963</u>
Current assets			
Inventories		19,707	17,931
Trade, prepayments and other receivables	13	139,090	178,069
Financial assets at fair value through other comprehensive income		7,328	1,100
Restricted cash	14	23,130	27,740
Cash and cash equivalents		26,014	43,192
		<u>215,269</u>	<u>268,032</u>
Total assets		<u>344,083</u>	<u>402,995</u>
Equity			
Equity attributable to owners of the Company			
Share capital	15	3,584	3,584
Share premium		153,337	153,337
Other reserves		(16,099)	(14,998)
Retained earnings		85,065	83,835
		<u>225,887</u>	<u>225,758</u>
Total equity		<u>225,887</u>	<u>225,758</u>

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		395	84
Borrowings	17	<u>–</u>	<u>2,981</u>
		395	<u>3,065</u>
Current liabilities			
Trade and other payables	16	82,091	119,436
Contract liabilities	5(b)	2,297	1,832
Current income tax liabilities		2,811	3,042
Borrowings	17	30,000	49,621
Lease liabilities		602	<u>241</u>
		117,801	<u>174,172</u>
Total liabilities		118,196	<u>177,237</u>
Total equity and liabilities		344,083	<u>402,995</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2023 (Audited)	3,584	153,337	(14,998)	83,835	225,758
Comprehensive income					
Profit for the period	-	-	-	1,699	1,699
Other comprehensive income					
Currency translation differences	-	-	(1,570)	-	(1,570)
Total comprehensive income	-	-	(1,570)	1,699	129
Transactions with owners of the Company					
Appropriation of statutory reserves	-	-	469	(469)	-
	-	-	469	(469)	-
Balance at 30 June 2023 (Unaudited)	<u>3,584</u>	<u>153,337</u>	<u>(16,099)</u>	<u>85,065</u>	<u>225,887</u>
Balance at 1 January 2022 (Audited)	3,584	153,337	(12,895)	76,145	220,171
Comprehensive income					
Profit for the period	-	-	-	1,936	1,936
Other comprehensive income					
Currency translation differences	-	-	(1,462)	-	(1,462)
Total comprehensive income	-	-	(1,462)	1,936	474
Transactions with owners of the Company					
Appropriation of statutory reserves	-	-	347	(347)	-
	-	-	347	(347)	-
Balance at 30 June 2022 (Unaudited)	<u>3,584</u>	<u>153,337</u>	<u>(14,010)</u>	<u>77,734</u>	<u>220,645</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from/(used in) operating activities	10,447	(11,631)
Income tax paid	(545)	(1,150)
	<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities	9,902	(12,781)
	<u> </u>	<u> </u>
Investing activities		
Purchase of property, plant and equipment	(1,674)	(104)
Proceeds from disposal of property, plant and equipment	–	570
	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	(1,674)	466
	<u> </u>	<u> </u>
Financing activities		
Proceeds from bank borrowings	40,000	30,427
Repayments of bank borrowings	(62,602)	(30,091)
Interest paid	(789)	(1,159)
Lease payments (including interest paid)	(1,098)	(267)
	<u> </u>	<u> </u>
Net cash used in financing activities	(24,489)	(1,090)
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(16,261)	(13,405)
Cash and cash equivalents at 1 January	43,192	36,098
Effect of exchange rate changes	(917)	(635)
	<u> </u>	<u> </u>
Cash and cash equivalents at 30 June	26,014	22,058
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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**"), ceramicsite 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 "**Stock Exchange**") since 18 December 2019.

The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The condensed consolidated interim financial statements were approved for issue by the Board on 17 August 2023.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("**HKASs**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2022 (the "**Financial Statements 2022**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**", together with HKASs and Interpretations, collectively referred to as "**HKFRS**") issued by the HKICPA.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2023, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2022.

(a) Adoption of new or revised HKFRS effective on 1 January 2023

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

Standards

HKFRS 17	Insurance Contracts
Annual Improvements to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

Standards		Effective for reporting periods beginning on or after
HK Int 5 (2020)	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sales and leaseback	1 January 2024
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 Directors are currently assessing the possible impact of these new or revised standards on the Group's results and financial position but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive Directors.

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, and accordingly no geographical segment information is presented.

As at 30 June 2023, the non-current assets other than deferred income tax assets and non-current portion of prepayments of RMB118,062,000 (31 December 2022: RMB121,946,000) and RMB8,336,000 (31 December 2022: RMB8,173,000) were located in the PRC and Hong Kong respectively.

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2023 RMB’000 (Unaudited)	2022 RMB’000 (Unaudited)
PHC piles	49,849	73,626
Commercial concrete	71,892	71,865
Ceramsite concrete block	3,659	2,171
	<u>125,400</u>	<u>147,662</u>

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 30 June 2023 RMB’000 (Unaudited)	As at 31 December 2022 RMB’000 (Audited)
	Commercial concrete	839
PHC piles	1,234	471
Ceramsite concrete block	224	181
	<u>2,297</u>	<u>1,832</u>

(c) **Information about major customers**

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	N/A	21,547
Customer B	12,759	N/A

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Raw materials and consumables used	96,894	122,781
Changes in inventories of finished goods	(6,614)	(11,289)
Freight charges	9,167	7,783
Depreciation of property, plant and equipment	6,832	7,123
Amortization charges	1,291	518
Outsourcing labour costs	4,697	6,132
Utilities	2,164	4,779
Employee benefit expenses	6,971	6,702
Travelling and entertainment expenses	1,145	499
Consulting fees	1,042	748
Business tax and surcharges	697	790
Maintenance costs	505	341
Reversal impairment losses on trade and other receivables, net	–	(933)
Others	1,542	1,301
	126,333	147,275

7. OTHER GAINS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	28	233
(Loss)/Gain on disposal of property, plant and equipment	(83)	11
Exchanges gains	2,152	1,637
Others	1,220	1,323
	3,317	3,204

8. FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income from bank deposits	<u>306</u>	<u>300</u>
Finance costs:		
– Interest expenses on bank borrowings	(789)	(1,133)
– Interest expenses on leases	<u>(123)</u>	<u>(26)</u>
	<u>(912)</u>	<u>(1,159)</u>
	<u>(606)</u>	<u>(859)</u>

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax expense	314	563
Deferred income tax		
– PRC corporate income tax expense	<u>(235)</u>	<u>233</u>
	<u>79</u>	<u>796</u>

PRC corporate income tax

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

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

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

The PRC Corporate Income Tax (the “CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes. All of the subsidiaries of the Group in mainland China, are subjected to corporate income tax rate of 25% (2022: 25%) for the Period.

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 Period.

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements under the tax treaty arrangement between the PRC and Hong Kong. No provision for withholding tax was made by the Group as at 30 June 2023.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

11. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2023 and 2022 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective period. The weighted average number of shares of the Company in issue during the six months ended 30 June 2023 was 400,000,000 shares (six months ended 30 June 2022: 400,000,000 shares).

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	1,699	1,936
Weighted average number of shares in issue (<i>in thousands</i>)	400,000	400,000
Basic earnings per share for profit attributable to shareholders of the Company during the period (<i>expressed in RMB per share</i>)	<u>0.004</u>	<u>0.005</u>

The Company did not have any potential ordinary shares outstanding during the Period and six months ended 30 June 2022, diluted earnings per share is equal to basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the addition of fixed assets of the Group amounted to RMB1,674,000 (six months ended 30 June 2022: RMB104,000). Items of fixed assets with net book value of RMB83,000 were disposed during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB494,000), resulting in a loss on disposal of RMB83,000 (six months ended 30 June 2022: gain on disposal of RMB11,000).

13. TRADE, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
– Third parties	118,584	165,250
Less: provision for impairment of trade receivables	<u>(8,046)</u>	<u>(8,046)</u>
	<u>110,538</u>	<u>157,204</u>
Other receivables		
– Entrusted loan	–	5,430
– Other deposits	3,544	3,855
– Others	<u>387</u>	<u>798</u>
	<u>3,931</u>	<u>10,083</u>
Less: allowance for impairment of other receivables	<u>(81)</u>	<u>(81)</u>
	<u>3,850</u>	<u>10,002</u>
Prepayments for purchase of raw materials, property, plant and equipment		
– Third parties	<u>24,702</u>	<u>13,526</u>
Less: non-current portion of prepayments for purchase of property, plant and equipment	<u>–</u>	<u>(2,663)</u>
	<u>24,702</u>	<u>10,863</u>
	<u>139,090</u>	<u>178,069</u>

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 month	27,885	27,102
1 to 6 months	31,558	86,678
6 months to 1 year	42,147	40,627
1 to 2 years	15,743	9,475
Over 2 years	<u>1,251</u>	<u>1,368</u>
	<u>118,584</u>	<u>165,250</u>

14. RESTRICTED CASH

Restricted cash represents guarantee deposits for issuance of bank acceptances bills and are denominated in RMB.

15. SHARE CAPITAL

The share capital balance as at 30 June 2023 and 31 December 2022 represented the issued and fully paid share capital of the Company as follows:

	Number of ordinary shares	Amount <i>HK\$</i>	Amount <i>RMB'000</i>
Authorised:			
As at 31 December 2022 and 30 June 2023	1,000,000,000		
Issued and fully paid:			
As at 31 December 2022 and 30 June 2023	<u>400,000,000</u>	<u>4,000,000</u>	<u>3,584</u>

16. TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables – Third parties	<u>54,918</u>	<u>86,602</u>
Notes payables	23,130	27,740
Accrued payroll	822	1,782
Other tax payables	1,074	1,370
Other payables	<u>2,147</u>	<u>1,942</u>
	<u>82,091</u>	<u>119,436</u>

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

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Up to 1 month	26,735	52,384
1 to 6 months	24,624	23,918
6 months to 1 year	2,038	4,553
1 to 2 years	1,080	5,083
Over 2 years	<u>441</u>	<u>664</u>
	<u>54,918</u>	<u>86,602</u>

17. BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current		
Long-term bank borrowings (<i>Note (a)</i>)		
– Secured bank borrowings	–	3,102
Less: current portion	–	(121)
	<u>–</u>	<u>2,981</u>
Current		
Current portion of long-term bank borrowings		
– Secured bank borrowings	–	121
Short-term bank borrowings (<i>Note (b)</i>)		
– Secured bank borrowings	30,000	29,500
– Unsecured bank borrowings	–	20,000
	<u>30,000</u>	<u>49,621</u>
Total	<u>30,000</u>	<u>52,602</u>

Notes:

- (a) As at 31 December 2022, the Group's long-term bank borrowings were secured by the Group's buildings of approximately RMB8,172,000 located in Hong Kong.
- (b) As at 30 June 2023, the Group's short-term bank borrowings of approximately RMB30,000,000 was secured by the pledge of the Group's buildings with net book value of approximately RMB14,116,000 (31 December 2022: approximately RMB14,594,000) and the Group's land use rights with net book value of approximately RMB11,089,000 (31 December 2022: approximately RMB11,349,000).
- (c) As at 30 June 2023 and 31 December 2022, the carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

The Group's borrowings are denominated in RMB and HK\$ as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
HK\$	–	3,102
RMB	<u>30,000</u>	<u>49,500</u>
	<u>30,000</u>	<u>52,602</u>

18. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Key management remuneration, including salaries and other employee benefits, amounted to approximately RMB2,430,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB2,019,000).

None of the related party transactions as disclosed above falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023.


20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2023 which would materially affect the Group's and the Company's operating and financial performance as of the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the Period, economic conditions of the PRC improved slightly following the relaxation of pandemic-related measures and lifting of border controls. However, challenges remain in the property market and construction industry under the dynamism induced by various macro-economic factors. The Group is also affected by ambiguities arising from transnational political fragmentation and uncertain monetary policy, including but not limited to rising interest rates.

The Group has been paying continuous attention to enhance management efficiency. In addition, the Group is devoted to the expansion of its customer base through allocating resources to strengthen business foundation, attract customers, and develop marketing resources.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB22.3 million or 15.1% from approximately RMB147.7 million for the Corresponding Period to approximately RMB125.4 million for the Period. Such decrease was attributed to the drop in sales of PHC piles due to the low level of infrastructure activities.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB1.8 million or 13.0% from approximately RMB13.8 million for the Corresponding Period to approximately RMB15.6 million for the Period. Gross profit margin of the Group increased to approximately 12.5% for the Period, as compared with approximately 9.3% for the Corresponding Period, as a result of the effective cost control in production and the benefit from the Group's proactive efforts in promoting improvement in overall efficiency and effectiveness.

Selling and marketing expenses

The Group's selling and marketing expenses remained stable at approximately RMB1.7 million for the Period as compared with approximately RMB1.7 million for the Corresponding Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB2.2 million or 17.5% from approximately RMB12.6 million for the Corresponding Period to approximately RMB14.8 million for the Period, as a result of the increase in travelling and consulting fees in relation to the promotional activities of the Group.

Profit for the Period

As a result of the abovementioned, the Group's profit for the Period amounted to approximately RMB1.7 million, representing a decrease of approximately RMB0.2 million or 10.5% as compared with approximately RMB1.9 million for the Corresponding Period.

Bank borrowings

The Group's bank borrowings as at 30 June 2023 were approximately RMB30.0 million, representing a decrease of approximately RMB22.6 million as compared with approximately RMB52.6 million as at 31 December 2022.

PROSPECTS

In light of the dynamic and uncertain business environment, the Directors are of the view that the challenges currently present in the construction industry and broader business environment are likely to linger on in the post-pandemic era. The Group will adopt a prudent approach in its financial matters, strive to effectively reduce costs by improving internal management and enhance production capabilities through upgrading its existing infrastructure.

While challenges persist, the Group remains optimistic regarding its various works and expects to capture a multitude of opportunities upon market recovery. The Group will also continue to enhance its operational efficiency and managerial capabilities so as to navigate the challenges ahead.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed approximately 53 full-time employees and 130 outsourced workers (31 December 2022: approximately 53 full-time employees and 96 outsourced workers).

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances of approximately RMB26.0 million as at 30 June 2023 (31 December 2022: approximately RMB43.2 million).

As at 30 June 2023, the Group's borrowings amounted to approximately RMB30.0 million (31 December 2022: approximately RMB52.6 million). All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the Period. As at 30 June 2023, the gearing ratio, calculated as total borrowings divided by total equity, was 13.3% (31 December 2022: 23.3%).

As at 30 June 2023, the current ratio (current assets/current liabilities) was 1.8 (31 December 2022: 1.5) and the net current assets amounted to approximately RMB97.5 million (31 December 2022: approximately RMB93.9 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes 16 and 17 to the condensed consolidated interim financial statements of this interim results announcement.

MARKET RISK

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

BUSINESS RISK

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

FOREIGN EXCHANGE RISK

Operations of the Group were mainly conducted in RMB and Hong Kong dollars ("HK\$"). At 30 June 2023, the Group's major non-RMB denominated assets and liabilities included cash and cash equivalents and other payables, which were denominated in HK\$. Fluctuation of the exchange rate of RMB against HK\$ could affect the Group's results of operations.

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, the Group's buildings of approximately RMB14,116,000 (31 December 2022: approximately RMB22,766,000) and land use rights of approximately RMB11,089,000 (31 December 2022: approximately RMB11,349,000) were pledged as collateral for the Group's borrowings.

Details of the Group's borrowings are set out in note 17 to the condensed consolidated interim financial statements of this interim results announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: nil).

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. Saved for the deviation from code provision C.2.1 of the CG Code as disclosed below, the Company has complied with the code provisions as set out in the CG Code during the Period.

Code provision C.2.1

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE REVIEW

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

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company’s 2023 interim report will be published on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at www.tailamgroup.com in due course.

APPRECIATION

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

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

Chairperson, executive Director and chief executive officer

Hong Kong, 17 August 2023

As at the date of this announcement, the executive Directors are Ms. Wong Han Yu Alice (the chairperson and chief executive officer), Mr. Wong Chiu Wai and Ms. Jiang Yin Juan; the non-executive Director is Mr. Wong Leung Yau; and the independent non-executive Directors are Ms. Wong Siu Yin Rosella, Mr. Lai Chun Yu and Mr. Cui Yu Shu.