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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)

**DISCLOSEABLE TRANSACTION
INVOLVING
ACQUISITION OF SHARES IN THE TARGET COMPANY**

THE ACQUISITION

On 18 January 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Target Co Controllers and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Shares, representing 5% of the issued share capital of the Target Company at a consideration of RMB15,107,500 (equivalent to approximately HK\$16,618,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment and/or, where applicable, waiver of Conditions Precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 18 January 2024 (after trading hours), the Purchaser, the Vendor, the Target Co Controllers and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Shares.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

18 January 2024 (after trading hours)

Parties

- (1) the Vendor: Taizhou Jingyi Gelan Technology Co., Ltd* (台州精藝格蘭科技有限公司)
- (2) the Purchaser: Shanghai Yuanxintai Investment Management Co., Ltd* (上海圓芯泰投資管理有限公司)
- (3) the Target Co Controllers: Mr. Li Xiantai, Ms. Li Xiujian and Mr. Li Zhiguang
- (4) the Target Company: Zhejiang Erg Technology Joint Stock Co., Ltd. (浙江爾格科技股份有限公司)

For further details, please refer to the paragraph headed “Information of the Group and Other Parties of the Sale and Purchase Agreement” below.

Subject matter

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Shares (i.e. 3,021,500 shares, representing 5% of the issued share capital of the Target Company). The shares of the Target Company were previously quoted on the Base Tier (基礎層) of the NEEQ (stock code: 832208) and delisted on 28 December 2023. For further details, please refer to the paragraph headed “Information of the Target Company” below.

Consideration

The total consideration for the transfer of the Target Shares is RMB15,107,500 (equivalent to approximately HK\$16,618,000) with the price of RMB5 per each Target Share. The Consideration shall be paid by the Purchaser to the Vendor in cash within 5 working days after the fulfillment or, if applicable, waiver by the Purchaser of any Conditions Precedent (as defined below). The Consideration shall be satisfied by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after considering various factors, including:

- (i) the closing price of RMB4.88 as per Target Share as quoted on the NEEQ on 27 July 2023, being the last trading day immediately before the Target Company's voluntary delisting and RMB5 per Target Share payable by the Purchaser represents a premium of approximately 2.46% over the said last trading price;
- (ii) the price-to-book (P/B) ratio of approximately 1.88 and the price-earnings (P/E) ratio of approximately 27.78 of the Target Company calculated with reference to the following formula:

Book value of assets per share: RMB161,039,393.21 (unaudited net asset value of the Target Company as at 30 June 2023) / 60,430,000 (total number of issued shares of the Target Company) = approximately RMB2.66

P/B ratio: RMB5 / RMB2.66 = approximately 1.88

Earning per share: RMB11,055,824.38 (audited net profit after tax of the Target Company for the year ended 31 December 2022) / 60,430,000 (total number of issued shares of the Target Company) = approximately RMB0.18

P/E ratio: RMB5 / RMB0.18 = approximately 27.78

Both the P/B ratio and P/E ratio of the Target Company are considered to be lower than the P/B ratios or P/E ratios of other comparable companies. Below are the P/B ratios and P/E ratios of the other comparable companies listed on the Shenzhen Stock Exchange which are principally engaged in manufacturing and selling of cooling systems as at 15 January 2024:

Stock code	Company name	Principal activities	P/B ratio (times)	P/E ratio (times)
002536	Feilong Auto Components Co., Ltd.	Manufacturing and selling of cooling systems for cars	2.46	25.00
300990	Sanhe Tongfei Refrigeration Co., Ltd.	Manufacturing and selling of cooling systems for computer numerical control equipment	4.03	29.26
300499	Guangzhou Gaoland Energy Conservation Tech. Co., Ltd.	Manufacturing and selling of cooling systems for water filters	2.79	50.00

- (iii) the expected prospects of the renewable energy power generation segment in which the principal business of the Target Company is related (please refer to the paragraph headed “Information of the Target Company” below for further details). Based on the publicly disclosed unaudited financial statements of the Target Company for the six months ended 30 June 2023, (a) the operating revenue of the Target Company in respect of such six-month period was RMB97,204,291.80, up by 49.86% compared to corresponding period in 2022; and (b) the net profit of the Target Company attributable to its shareholders in respect of such six-month period was RMB10,319,064.28, up by 53.29% compared to corresponding period in 2022; and
- (iv) other terms of the Sale and Purchase Agreement, in particular, the anti-dilution rights and the Put Option (as further elaborated below).

Based on the above, the Directors are of the view that the Consideration and the terms of the Sale and Purchase Agreement for the Acquisition are fair and reasonable.

Conditions precedent

The Completion is conditional upon the fulfillment of, among others, all of the following conditions precedent (the “**Conditions Precedent**”) unless otherwise waived by the Purchaser:

- (1) no provision of any relevant laws shall prohibit, and no pending litigation or potential litigation shall adversely affect, the consummation of the share transfer;
- (2) each of the representations and warranties given by the Vendor contained in the Sale and Purchase Agreement is and remains true, accurate and complete on the date of the Sale and Purchase Agreement and upon the Completion;
- (3) the Vendor and the Target Company shall have performed and complied with all undertakings and obligations contained in the Sale and Purchase Agreement on or before the Completion;
- (4) the articles of association of the Target Company, the Sale and Purchase Agreement and other relevant document (the “**Transaction Documents**”) have been executed by all parties to the Sale and Purchase Agreement;
- (5) all internal approval(s) required for the execution and performance of the Transaction Documents have been obtained by the Vendor;
- (6) the Target Company has delisted from the NEEQ, and (where applicable) the shareholders of the Target Company have passed resolution at an extraordinary general meeting of the Target Company to approve the share transfer and (where applicable) have granted written waivers in respect of their pre-emptive rights; and
- (7) all documents necessary for filings with department of the industry and commerce administration in respect of the share transfer of the Target Company have been duly signed and provided by the Vendor to the Target Company and the Purchaser (where applicable).

Completion

Completion shall take place within 10 working days after the fulfillment or, if applicable, waiver by the Purchaser of any Conditions Precedent.

Based on available public information, Mr. Li Xiantai, being one of the Target Co Controllers, directly holds approximately 55.82% shareholding in the Target Company as at the date of this announcement. Prior to the Completion, Mr. Li Xiantai will procure the Target Shares to be held by the Vendor for the purpose of completing the transfer of the Target Shares. If the foregoing arrangement cannot be effected, Mr. Li Xiantai will transfer the Target Shares directly to the Purchaser on the Completion.

Upon Completion, the Company (through the Purchaser) will indirectly own 5% shareholding in the Target Company. The Group will be an investor holding the said shareholding of the Target Company for investment purpose.

Post-Completion Rights of the Purchaser

Anti-dilution right

The Purchaser shall be entitled to exercise an anti-dilution right to adjust the Consideration downward or receive a compensation in cash from the Covenantors pursuant to the Sale and Purchase Agreement under any of the following circumstances, subsequent to the Completion:

- (1) the Vendor and / or the Covenantors transfer any of other shares it / they hold in the Target Company to a third party (other than the Target Company's existing shareholders) and the price for such share transfer is lower than the price at which the Purchaser paid for the Target Shares; or
- (2) the Target Company conducts fund raising with a pre-money valuation of the Target Company being lower than the valuation based upon by the parties under the Sale and Purchase Agreement.

Put Option

The Purchaser shall be entitled to exercise the Put Option to require the Covenantors to buy all or part of the Target Shares by issuing a written notice to the Covenantors if the Target Company or the Target Co Controllers fails to perform certain undertakings, amongst other things:

- (1) the Target Company fails to issue an unqualified audit report starting from 2024;
- (2) the Target Company or the Purchaser incurs a significant loss of more than RMB15,000,000 as a result of credibility issue of the Target Co Controllers;
- (3) the Target Co Controllers or other parties controlled by the Target Co Controllers operate in any business or enterprise of same or similar nature as the main business of the Target Company;
- (4) there is a change of the Target Co Controllers, or they violate any laws of material respect or they commit criminal offence; or
- (5) the Target Co Controllers fail to fulfil their obligation in managing the Target Company.

The purchase price payable by the Covenantors to the Purchaser upon its exercise of the Put Option shall be a sum equivalent to the Consideration of the Acquisition (i.e. RMB15,107,500) plus an annualised interest of 6% accrued up to the actual date on which the Covenantors pay to the Purchaser.

INFORMATION OF THE TARGET COMPANY

The Target Company is a joint stock limited company established in the PRC, the shares of which were previously quoted on the Base Tier (基礎層) of the NEEQ (stock code: 832208) and delisted on 28 December 2023. It is principally engaged in the research and development, production and sales of cooling systems for renewable energy power generation, power generation and distribution and other devices.

Based on the public announcements and publications issued by the Target Company and published on the NEEQ and to the knowledge of the Board, the Target Company decided to delist from the NEEQ on a voluntary basis having considered the Target Company's own operational and business strategic development in the context of the industry environment and its purpose of enhancing efficiency in decision-making and saving the operational cost.

Set out below are certain financial information of the Target Company extracted from the annual reports published on the NEEQ (as prepared in accordance with the PRC generally accepted accounting principles):

	For the year ended 31 December	
	2022	2021
	(audited)	(audited)
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation	12,198,169.12	9,238,802.55
Net profit after taxation	11,055,824.38	9,281,598.01

Based on the unaudited consolidated financial information of the Target Company published on the NEEQ, the unaudited total asset value and net asset value of the Target Company as at 30 June 2023 were RMB380,032,733.77 and RMB161,039,393.21, respectively.

REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT

As disclosed in the interim report of the Group for the six months ended 30 June 2023, the Group has cash and cash equivalents for the amount of approximately RMB26,000,000. The Company has been looking for appropriate opportunity to apply its surplus cash with a view to generating risk adjusted return for its Shareholders. In particular, as a strategic investor, the Group aims to venture into the high-end manufacturing industry in which the Target Company operates with a higher expected gain under its technological advancement. The Target Company is a well-established supplier of high-quality cooling systems that are employed (among other things) in renewable energy power generation projects in the PRC, including the Three Gorges Dam and Gezhouba Dam. With the injection of our rich experience in operational and financial management as a listed company and the business prospects of the growing renewable energy power generation industry in which the principal business of the Target Company is related, the Directors believe the Acquisition would contribute to the Target Company's sustainable long-term development and enable the Group to

diversify its business portfolio and broaden its income sources as the Target Company's investor, which benefits the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are therefore of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND OTHER PARTIES OF THE SALE AND PURCHASE AGREEMENT

The Group

The Group is principally engaged in the manufacturing and selling trademarked PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile), commercial concrete and ceramsite concrete block in the PRC for infrastructure projects.

The Purchaser

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in providing investment and management services in the PRC.

The Vendor

The Vendor is a company established in the PRC with limited liability. It is principally engaged in investment holding and providing technical services, development and consultation.

The Target Co Controllers

Each of Mr. Li Xiantai and Ms. Li Xiujuan (spouse of Mr. Li Xiantai) holds 50% shareholding in the Vendor. Mr. Li Zhiguang is the son of Mr. Li Xiantai. They are collectively regarded as the ultimate beneficial owners of the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Target Co Controllers are Independent Third Parties.

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Shareholders and potential investors of the Company should note that the Completion is subject to fulfillment and/or, where applicable, waiver of Conditions Precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Target Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Tailam Tech Construction Holdings Limited (泰林科建控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition whereupon all the Conditions Precedent under the Sale and Purchase Agreement are (as the case may be) satisfied or waived
“connected person”	has the meaning ascribed to it under the Listing Rules
“Covenantors”	collectively Mr. Li Xiantai and Ms. Li Xiujuan
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)(also known as the New Third Board (新三板))
“NEEQ Company”	National Equities Exchange and Quotations Co., Ltd (全國中小企業股份轉讓系統有限公司)
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Shanghai Yuanxintai Investment Management Co., Ltd* (上海圓芯泰投資管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Put Option”	the put option granted to the Purchaser under the Sale and Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 18 January 2024 entered into among the Purchaser, the Vendor, the Target Co Controller and the Target Company (as supplemented or amended)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Zhejiang Erg Technology Joint Stock Co., Ltd. (浙江爾格科技股份有限公司), a joint stock limited company established in the PRC, the shares of which were previously quoted on the NEEQ (stock code: 832208) and delisted on 28 December 2023
“Target Co Controllers”	collectively Mr. Li Xiantai, Ms. Li Xiujian (the spouse of Mr. Li Xiantai) and Mr. Li Zhiguang (the son of Mr. Li Xiantai)
“Target Share(s)”	3,021,500 shares, representing 5% of the issued share capital of the Target Company to be transferred to the Purchaser, which is the subject of the Sale and Purchase Agreement
“Vendor”	Taizhou Jingyi Gelan Technology Co., Ltd* (台州精藝格蘭科技有限公司), a company established in the PRC with limited liability and an Independent Third Party
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.10 has been used, where applicable, for illustration purpose only and does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

Hong Kong, 18 January 2024

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

** For identification purpose only*