



泰林科建
**TAILAM
TECHCON**

BUILDING SOLID FOUNDATIONS TO DEFINE FUTURE

2024 INTERIM REPORT

泰林科建控股有限公司

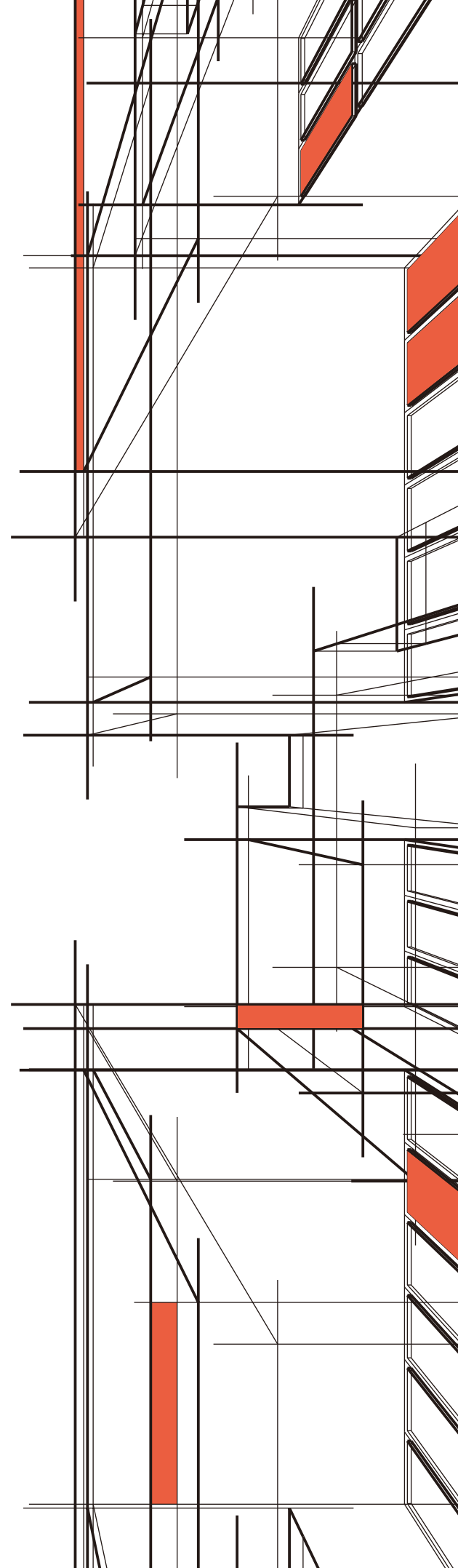
Tailam Tech Construction Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6193)



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CORPORATE INFORMATION

BOARD OF 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

COMPANY SECRETARY

Ms. Chan Siu Yin
Ms. Ng Ka Man (Resigned on 18 June 2024)

AUTHORISED REPRESENTATIVES

Ms. Wong Han Yu Alice
Ms. Ng Ka Man (Resigned on 18 June 2024)
Ms. Chan Siu Yin (Appointed on 18 June 2024)

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

No.1 Tailam Road
Wangbao Town
Qidong City
Nantong
Jiangsu Province
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

17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

SOLICITORS

As to Hong Kong law:

CFN Lawyers

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


MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

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 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 (the “**Corresponding Period**”).

BUSINESS REVIEW

The Group manufactures and sells pre-stressed high-strength concrete piles (the “**PHC piles**”) (a subset of tubular pile), commercial concrete and ceramsite concrete block in the People’s Republic of China (the “**PRC**”) and has a production plant in Qidong City, Nantong, Jiangsu Province, the PRC.

The Group’s PHC piles are mainly sold to customers under 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 municipal projects and construction companies in Jiangsu Province.

The Group’s financial results for the first half of 2024 is reflective of the challenging macro and industry environment. Delay in project commencements, particularly those projects of high-value clients, combined with stiff industry competition and a cautious market sentiment, have led to a decline in sales volume and prices for the Group’s products.

Notwithstanding such challenges, the Group maintains its commitment to driving long-term growth, and the expected project resumptions in the third and fourth quarters will generate the vitality underpinning future opportunities. The Group will continue to focus on its core competencies in manufacturing and trading of building materials, while exploring opportunities for expansion and diversification. Meanwhile, the Group has implemented measures to mitigate the risks associated with economic uncertainty. In particular, the Group’s robust credit control strategy enables it to manage order acceptance and settlement terms prudently to ensure financial security. The Group will endeavour to consolidate its industry leadership position through effective resource allocation and good cooperation with key stakeholders.

FINANCIAL REVIEW

Revenue

During the Period, the Group generated revenue from its supply of building materials in the PRC. It recorded a decrease in revenue for approximately RMB56.3 million or 44.9% from approximately RMB125.4 million for the Corresponding Period to approximately RMB69.1 million for the Period. The decrease in revenue was mainly caused by (i) the prolonged slowdown in construction and property market, the intense industrial competition and low level of infrastructural and related economic activities, which resulted in many construction projects being suspended or delayed, thereby weakening the demand for the Group’s products; and (ii) the continuous implementation of prudent approach in accepting orders, resulting in the screening out of risky projects to facilitate better risk control.

Gross profit and gross profit margin

The Group’s gross profit decreased by approximately RMB9.3 million or 59.6% from approximately RMB15.6 million for the Corresponding Period to approximately RMB6.3 million for the Period. Gross profit margin of the Group decreased to approximately 9.2% for the Period, as compared with approximately 12.5% for the Corresponding Period. The decrease in the Group’s gross profit was mainly due to the constancy of fixed production costs, compounded by a decline in sales volume and lower market selling prices that impacted the Company’s product pricing.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

The Group's selling and marketing expenses decreased by RMB0.3 million or 17.6% from approximately RMB1.7 million for the Corresponding Period to approximately RMB1.4 million for the Period.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB1.7 million or 11.5% from approximately RMB14.8 million for the Corresponding Period to approximately RMB13.1 million for the Period, as a result of the lower level of business activities.

Profit for the Period

As a result of the above mentioned, the Group recorded a net loss of approximately RMB4.2 million for the Period as compared to the net profit of approximately RMB1.7 million for the Corresponding Period.

Bank borrowings

The Group's bank borrowing as at 30 June 2024 was nil, representing a decrease of approximately RMB5.0 million as compared with approximately RMB5.0 million as at 31 December 2023.

PROSPECTS

Looking ahead, the Board remains confident in the long-term prospects of the Group's core business. Despite encountering formidable market challenges in the first half of 2024, the Group continues to be well-situated to grasp upcoming business opportunities, while managing considerations such as revenue stream diversification and cost structure optimization. The Group will also focus on enhancing its digital transformation of manufacturing processes and equipment and reducing manpower to maintain production capacity and flexibility, while ensuring that quality control measures and procedures are continuously refined to enable the highest standards of product quality and customer satisfaction. With these efforts, the Group is committed to enhancing performance in the second half of the year and ensuring sustainable growth and success in the future.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed approximately 47 full-time employees and 81 outsourced workers (31 December 2023: approximately 58 full-time employees and 82 outsourced workers). During the Period, the total staff costs incurred by the Group were approximately RMB6.5 million (the Corresponding Period: approximately RMB7.0 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 cash equivalents of approximately RMB27.1 million as at 30 June 2023 (31 December 2023: approximately RMB44.1 million).

As at 30 June 2024, the Group has no interest-bearing borrowings (31 December 2023: approximately RMB5.0 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. Gearing ratio is calculated based on total borrowings divided by the total equity as at the end of the reporting period. As at 30 June 2024, our Group has no interest-bearing borrowings and hence the gearing ratio was nil (31 December 2023: 2.4%).

As at 30 June 2024, the current ratio (current assets/current liabilities) was 2.5 (31 December 2023: 2.2) and the net current assets amounted to approximately RMB76.1 million (31 December 2023: approximately RMB89.0 million).

The ageing analysis of trade payables and the profiles of borrowings are set out in the notes 18 and 19 to the condensed consolidated interim financial statements of this interim report.

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.

FOREIGN EXCHANGE RISK

Operations of the Group were mainly conducted in RMB and Hong Kong dollars ("HK\$"). At 30 June 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 18 January 2024, Shanghai Yuanxintai Investment Management Co., Ltd* (上海圓芯泰投資管理有限公司), an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Taizhou Jingyi Gelan Technology Co., Ltd* (台州精藝格蘭科技有限公司), an independent third party, to acquire 3,021,500 shares, representing 5% of the issued share capital of Zhejiang Erg Technology Joint Stock Co., Ltd. (浙江爾格科技股份有限公司) (“Zhejiang Erg”) at a consideration of RMB15,107,500, which 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. Further details are disclosed in the announcement of the Company dated 18 January 2024. The acquisition was completed on 29 January 2024.

As at 30 June 2024, the fair value of the Group’s interest in Zhejiang Erg is approximately RMB15,107,000, representing approximately 5.87% of the Group’s total assets. There is no any realised and unrealised gain or loss or any dividends received from the Group’s investment in Zhejiang Erg during the Period. The Group’s investment strategy for significant investments is to identify investment opportunities with growth potential and risk-adjusted return for our shareholders, while also seeking opportunities for strategic cooperation. The future prospects of the Group’s investment in Zhejiang Erg will depend on various factors, including but not limited to political, economic, financial, risk factors and market conditions that are specific to the industry in which Zhejiang Erg operates.

Save for the above, the Group did not have any other significant investments with a value of 5% or more of the Group’s total assets, material acquisitions or disposals of subsidiaries and affiliated companies during the Period.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2024.

PLEDGE OF ASSETS

As at 30 June 2024, the Group’s buildings of approximately RMB13,560,000 (31 December 2023: approximately RMB13,639,000) and land use rights of approximately RMB10,908,000 (31 December 2023: approximately RMB11,055,000) were pledged as collateral for the Group’s borrowings.

Details of the Group’s borrowings are set out in note 19 to the condensed consolidated interim financial statements of this interim report.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: nil).

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the "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 of Hong Kong Limited (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 C3 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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⁾ | 228,536,000 (L) | 57.13% |
| Mr. Wong Leung Yau | Interest of a controlled corporation ⁽⁴⁾ | 26,870,000 (L) | 6.72% |
| | Interest of a controlled corporation ⁽⁵⁾ | 14,960,000 (L) | 3.74% |

Notes:

- The number of issued Shares as at 30 June 2024 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 72.94% owned by Ms. Wong Han Yu Alice and 27.06% owned by her younger brother, Mr. Wong Chiu Wai (an executive Director). Apax Investment is controlled by Ms. Wong Han Yu Alice as Ms. Wong Han Yu Alice is the sole director of Apax Investment and Ms. Wong Han Yu Alice controls 72.94% of the shareholding of Apax Investment. 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 Glorycore Investment Holdings Limited ("Glorycore 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 Glorycore 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2024, the persons (not being a Director or chief executive of the Company) who have 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⁾ | 228,536,000 (L) | 57.13% |
| Mr. Ma Wai Kwok | Interest of spouse ⁽⁴⁾ | 228,536,000 (L) | 57.13% |
| Glorycore Investment | Beneficial owner ⁽⁵⁾ | 26,870,000 (L) | 6.72% |

Notes:

- The issued share capital of the Company as at 30 June 2024 was 400,000,000 Shares.
- The letter "L" denotes the person's long position in the Shares.
- Apax Investment is beneficially owned as to 72.94% by Ms. Wong Han Yu Alice and as to 27.06% by Mr. Wong Chiu Wai. Apax Investment is controlled by Ms. Wong Han Yu Alice as Ms. Wong Han Yu Alice is the sole director of Apax Investment and controls 72.94% of the shareholding of Apax Investment. 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. Wong Leung Yau. Under the SFO, Mr. Wong Leung Yau is deemed to be interested in all the Shares registered in the name of Glorycore Investment.

Save as disclosed herein, as at 30 June 2024, the Directors are not aware of any persons (other than the Directors or chief executive of the Company) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) by a resolution of all the shareholders passed on 5 November 2019 (the “**Adoption Date**”), and the Share Option Scheme became unconditional on 18 December 2019 (the “**Listing Date**”).

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the 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 the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date, such 10% being equivalent to 40,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this interim report.

No option has been granted, cancelled, outstanding, exercised or lapsed under the Share Option Scheme since the Adoption Date and up to the date of this interim report. The number of option available for grant under the scheme mandate as at 1 January 2024 and 30 June 2024 is 40,000,000 and 40,000,000 respectively. Therefore, 40,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of this interim report, were available for issue under the Share Option Scheme.

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 C1 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, changes in Directors' information since the date of the 2023 Annual Report of the Company are set out below:

After years of managing systems, optimizing internal controls and cultivating talent, Ms. Wong Han Yu Alice ("**Ms. Wong**") has resigned as the chief executive officer of Tailam Technology (Jiangsu Nantong) Co., Ltd.* (泰林科技(江蘇南通)有限公司) (previously known as 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**"), with effect from 31 March 2024, while Ms. Wong has continued to serve as the chairperson of the Board, an executive Director, the chief executive officer and other roles of the Group. Ms. Wong obtained a postgraduate diploma in corporate finance and investment management from the Institute for China Business, HKU School of Professional and Continuing Education in February 2024.

Mr. Wong Chiu Wai has resigned as the general manager of Jiangsu Tailam with effect from 31 March 2024, while he has continued to serve as an executive Director and other roles of the Group.

Mr. Lai Chun Yu, the independent non-executive Director of the Group, has been appointed as an independent non-executive director of Stelux Holdings International Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code 84, since 20 August 2024.

After making specific enquiries by the Company and confirmed by the Directors, save as disclosed as above, no other changes in the information of any Directors during the Period that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 the Company's 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 report has not been audited by the Company's external auditor but has been reviewed by the Audit Committee.

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company's 2024 interim report is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.tailamgroup.com.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our shareholders, the Board, management and staff for their dedication and effort over the years. In addition, on behalf of the Board, I would also like to express our most sincere thanks to all our customers and business partners for their continuous support.

By Order of the Board of

Tailam Tech Construction Holdings Limited

Wong Han Yu Alice

Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 22 August 2024

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

For the six months ended 30 June 2024

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue | 6 | 69,090 | 125,400 |
| Cost of sales | 7 | (62,765) | (109,783) |
| Gross Profit | | 6,325 | 15,617 |
| Selling and marketing expenses | 7 | (1,382) | (1,711) |
| Administrative expenses | 7 | (13,124) | (14,839) |
| Reversal of impairment losses on trade and other receivables, net | 7 | 3,457 | – |
| Other gains – net | 8 | 872 | 3,317 |
| Operating (loss)/profit | | (3,852) | 2,384 |
| Finance income/(costs) – net | 9 | 202 | (606) |
| (Loss)/profit before income tax | | (3,650) | 1,778 |
| Income tax expense | 10 | (531) | (79) |
| (Loss)/profit for the period | | (4,181) | 1,699 |
| Other comprehensive expense | | | |
| – Change in fair value of financial assets measured at fair value through other comprehensive income | | (3) | – |
| – Currency translation differences | | (15) | (1,570) |
| Other comprehensive expense for the period | | (18) | (1,570) |
| Total comprehensive (expense)/income for the period | | (4,199) | 129 |
| (Loss)/earnings per share (expressed in RMB per share) | | | |
| – Basic and diluted | 12 | (0.010) | 0.004 |

The notes on pages 18 to 32 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2024

| | Notes | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|-------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 114,057 | 120,368 |
| Intangible assets | | 362 | 375 |
| Financial assets at fair value through other comprehensive income | 14 | 15,413 | – |
| Deferred income tax assets | | 1,937 | 2,452 |
| | | 131,769 | 123,195 |
| Current assets | | | |
| Inventories | | 13,135 | 16,135 |
| Trade, prepayments and other receivables | 15 | 78,648 | 92,927 |
| Financial assets at fair value through other comprehensive income | 14 | 6,916 | 9,319 |
| Restricted cash | 16 | – | 3,742 |
| Cash and cash equivalents | | 27,096 | 44,061 |
| | | 125,795 | 166,184 |
| Total assets | | 257,564 | 289,379 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 17 | 3,584 | 3,584 |
| Share premium | | 153,337 | 153,337 |
| Other reserves | | (16,003) | (16,059) |
| Retained earnings | | 61,943 | 66,198 |
| Total equity | | 202,861 | 207,060 |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2024

| | Notes | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|-------------------------------------|-------|--|--|
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 15 | 142 |
| Deferred income tax liabilities | | 5,000 | 5,000 |
| | | 5,015 | 5,142 |
| Current liabilities | | | |
| Trade and other payables | 18 | 45,214 | 68,645 |
| Contract liabilities | 6(b) | 1,761 | 819 |
| Current income tax liabilities | | 2,504 | 2,504 |
| Borrowings | 19 | – | 5,000 |
| Lease liabilities | | 209 | 209 |
| | | 49,688 | 77,177 |
| Total liabilities | | 54,703 | 82,319 |
| Total equity and liabilities | | 257,564 | 289,379 |

The notes on pages 18 to 32 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

| | Share capital RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|--|--------------------------|--------------------------|---------------------------|------------------------------|------------------|
| Balance at 1 January 2024 (Audited) | 3,584 | 153,337 | (16,059) | 66,198 | 207,060 |
| Comprehensive income | | | | | |
| Loss for the period | – | – | – | (4,181) | (4,181) |
| Other comprehensive expense | | | | | |
| Change in fair value of financial assets measured at fair value through other comprehensive income | – | – | (3) | – | (3) |
| Currency translation differences | – | – | (15) | – | (15) |
| Total comprehensive expense | – | – | (18) | (4,181) | (4,199) |
| Transactions with owners of the Company | | | | | |
| Appropriation to statutory reserves | – | – | 74 | (74) | – |
| | – | – | 74 | (74) | – |
| Balance at 30 June 2024 (Unaudited) | 3,584 | 153,337 | (16,003) | 61,943 | 202,861 |
| Balance at 1 January 2023 (Audited) | 3,584 | 153,337 | (14,998) | 83,835 | 225,758 |
| Comprehensive income | | | | | |
| Loss 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 to statutory reserves | – | – | 469 | (469) | – |
| | – | – | 469 | (469) | – |
| Balance at 30 June 2023 (Unaudited) | 3,584 | 153,337 | (16,099) | 85,065 | 225,887 |

The notes on pages 18 to 32 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Operating activities | | |
| Cash generated from operating activities | 3,694 | 10,447 |
| Income tax paid | (16) | (545) |
| Net cash generated from operating activities | 3,678 | 9,902 |
| Investing activities | | |
| Purchase of property, plant and equipment | (51) | (1,674) |
| Purchase of intangible assets | (63) | – |
| Purchase of financial assets at fair value through other comprehensive income | (15,416) | – |
| Net cash used in investing activities | (15,530) | (1,674) |
| Financing activities | | |
| Proceeds from bank borrowings | 27,000 | 40,000 |
| Repayments of bank borrowings | (32,000) | (62,602) |
| Interest paid | (85) | (789) |
| Lease payments (including interest paid) | (138) | (1,098) |
| Net cash used in financing activities | (5,223) | (24,489) |
| Net decrease in cash and cash equivalents | (17,075) | (16,261) |
| Cash and cash equivalents at 1 January | 44,061 | 43,192 |
| Effect of exchange rate changes | 110 | (917) |
| Cash and cash equivalents at 30 June | 27,096 | 26,014 |

The notes on pages 18 to 32 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 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 of directors of the Company on 22 August 2024.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023 (the "**Financial Statements 2023**"), 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2023.

(a) Adoption of new or revised HKFRS effective on 1 January 2024

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

| | |
|------------------------|---|
| HK Int 5 (2020) | Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to HKAS 1 | Non-current liabilities with covenants |
| Amendments to HKFRS 16 | Lease liability in sales and leaseback |

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 |
|-----------------------------------|---|---|
| HKAS 21 (Amendments) | Lack of Exchangeability | 1 January 2025 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

These above standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

| | Fair value measurements using | | | Total RMB'000 |
|--|-------------------------------|--------------------|--------------------|------------------|
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| At 30 June 2024 (Unaudited) | | | | |
| Recurring fair value measurements: | | | | |
| Equity investments at fair value through other comprehensive income | | | | |
| – Listed equity securities | 306 | – | – | 306 |
| – Private equity investments (note a) | – | – | 15,107 | 15,107 |
| – Others (note b) | – | – | 6,916 | 6,916 |
| Total recurring fair value measurements | 306 | – | 22,023 | 22,329 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. FAIR VALUE MEASUREMENTS (Continued)

| | Fair value measurements using | | | Total RMB'000 |
|--|-------------------------------|--------------------|--------------------|------------------|
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| At 31 December 2023 (Audited) | | | | |
| Recurring fair value measurements: | | | | |
| Equity investments at fair value through other comprehensive income | | | | |
| – Others (note b) | – | – | 9,319 | 9,319 |
| <hr/> | | | | |
| Total recurring fair value measurements | – | – | 9,319 | 9,319 |

Notes:

- (a) The fair value of the private equity investments in Level 3 was assessed with reference to income approach by management.
- (b) Others comprise bank acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

5. 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 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, and accordingly no geographical segment information is presented.

As at 30 June 2024, the non-current assets other than deferred income tax assets and non-current portion of prepayments of RMB121,914,000 (31 December 2023: RMB112,929,000) and RMB7,918,000 (31 December 2023: RMB7,814,000) were located in the PRC and Hong Kong respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. 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 | |
|--------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| PHC piles | 41,414 | 49,849 |
| Commercial concrete | 26,115 | 71,892 |
| Ceramsite concrete block | 1,561 | 3,659 |
| | 69,090 | 125,400 |

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------------|--|--|
| | Commercial concrete | 892 |
| PHC piles | 832 | 311 |
| Ceramsite concrete block | 37 | 37 |
| | 1,761 | 819 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. REVENUE (Continued)

(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 | |
|------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Customer A | 12,649 | N/A |
| Customer B | 8,021 | N/A |
| Customer C | N/A | 12,759 |

7. EXPENSES BY NATURE

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Raw materials and consumables used | 45,505 | 96,894 |
| Changes in inventories of finished goods | 3,803 | (6,614) |
| Freight charges | 6,113 | 9,167 |
| Depreciation of property, plant and equipment | 6,142 | 6,832 |
| Amortization charges | 76 | 1,291 |
| Outsourcing labour costs | 3,846 | 4,697 |
| Utilities | 1,285 | 2,164 |
| Employee benefit expenses | 6,535 | 6,971 |
| Travelling and entertainment expenses | 1,054 | 1,145 |
| Consulting fees | 512 | 1,042 |
| Business tax and surcharges | 520 | 697 |
| Maintenance costs | 160 | 505 |
| Reversal impairment losses on trade and other receivables, net | (3,457) | – |
| Others | 1,720 | 1,542 |
| | 73,814 | 126,333 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. OTHER GAINS – NET

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Government grants | – | 28 |
| Loss on disposal of property, plant and equipment | – | (83) |
| Exchanges gains | 104 | 2,152 |
| Others | 768 | 1,220 |
| | 872 | 3,317 |

9. FINANCE INCOME/(COSTS) – NET

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Finance income: | | |
| – Interest income from bank deposits | 298 | 306 |
| Finance costs: | | |
| – Interest expenses on bank borrowings | (85) | (789) |
| – Interest expenses on leases | (11) | (123) |
| | (96) | (912) |
| | 202 | (606) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. 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 | |
|------------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Current income tax | | |
| – PRC corporate income tax expense | 16 | 314 |
| Deferred income tax | | |
| – PRC corporate income tax expense | 515 | (235) |
| | 531 | 79 |

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% (2023: 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. The applicable corporate income tax rate for Mainland China subsidiaries is 25%, except for the subsidiary which is qualified as High and New Technology Enterprise (the “**HNTE**”). Tailam Technology (Jiangsu Nantong) Co., Ltd.* (previously known as Jiangsu Tailam Construction Co., Ltd.*) obtained the qualification of the HNTE in 2023, and the applicable income tax rate is 15% for the HNTE.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. INCOME TAX EXPENSE (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 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.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2024 and 2023 are calculated by dividing the (loss)/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 2024 was 400,000,000 shares (six months ended 30 June 2023: 400,000,000 shares).

| | Six months ended 30 June | |
|--|--------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| (Loss)/profit attributable to equity holders of the Company (RMB'000) | (4,181) | 1,699 |
| Weighted average number of shares in issue (in thousands) | 400,000 | 400,000 |
| Basic earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share) | (0.010) | 0.004 |

The Company did not have any potential ordinary shares outstanding during the Period and six months ended 30 June 2023, so diluted earnings per share are equal to basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at an aggregate cost amounting to approximately RMB51,000 (six months ended 30 June 2023: RMB1,674,000).

In addition, during the same period, the Group did not dispose of any property, plant and equipment (six months ended 30 June 2023: RMB83,000), which did not result in any gain or loss on disposal (six months ended 30 June 2023: loss on disposal of RMB83,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Listed equity securities, at quoted market price in Hong Kong (note a) | 306 | – |
| Unlisted equity securities (note b) | 15,107 | – |
| Others (note c) | 6,916 | 9,319 |
| | 22,023 | 9,319 |
| | 22,329 | 9,319 |

Notes:

- (a) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are strategic investments that are not held for trading. The Group has elected to designate these investments in equity instruments as fair value through other comprehensive income (“FVOCI”) as it is believed that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for strategic purposes and realising their performance potential in the long run.

The listed equity securities measured at FVOCI comprise the following investments:

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------|--|--|
| Xiaomi Corporation | 306 | – |

- (b) The unlisted equity securities are shares in Zhejiang Erg Technology Joint Stock Co., Ltd. (“Zhejiang Erg Technology”), a joint stock limited company established in the PRC, which 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. As at 30 June 2024, the Group held 5% equity interest in Zhejiang Erg Technology (31 December 2023: Nil).
- (c) Others as at 30 June 2024 of RMB6,916,000 (31 December 2023: RMB9,319,000) comprise bank acceptance notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. TRADE, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Trade receivables | | |
| – Third parties | 75,026 | 93,745 |
| Less: provision for impairment of trade receivables | (12,041) | (15,498) |
| | 62,985 | 78,247 |
| Other receivables | | |
| – Other deposits | 965 | 1,756 |
| – Others | 269 | 396 |
| | 1,234 | 2,152 |
| Less: allowance for impairment of other receivables | (81) | (81) |
| | 1,153 | 2,071 |
| Prepayments for purchase of raw materials, property, plant and equipment | | |
| – Third parties | 14,510 | 12,609 |
| | 14,510 | 12,609 |
| | 78,648 | 92,927 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. TRADE, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------|--|--|
| Within 1 month | 20,648 | 10,800 |
| 1 to 6 months | 16,145 | 34,526 |
| 6 months to 1 year | 20,091 | 24,796 |
| 1 to 2 years | 12,018 | 18,158 |
| Over 2 years | 6,124 | 5,465 |
| | 75,026 | 93,745 |

16. RESTRICTED CASH

Restricted cash as at 31 December 2023 represents guarantee deposits for issuance of bank acceptances bills and is denominated in RMB.

17. SHARE CAPITAL

The share capital balance as at 30 June 2024 and 31 December 2023 represented the issued and fully paid share capital of the Company as follows:

| | Number of ordinary shares Shares | Share capital | |
|---|---|---------------|---------|
| | | HK\$ | RMB'000 |
| Authorised: | | | |
| As at 31 December 2023 and 30 June 2024 | 1,000,000,000 | 10,000,000 | |
| Issued and fully paid: | | | |
| As at 31 December 2023 and 30 June 2024 | 400,000,000 | 4,000,000 | 3,584 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. TRADE AND OTHER PAYABLES

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|-----------------------------------|--|--|
| Trade payables – Third parties | 43,383 | 61,389 |
| Notes payables | – | 3,742 |
| Accrued payroll | 485 | 1,482 |
| Other tax payables | 776 | 198 |
| Other payables | 570 | 1,834 |
| | 45,214 | 68,645 |

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 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|--------------------|--|--|
| Up to 1 month | 16,029 | 17,317 |
| 1 to 6 months | 10,862 | 27,257 |
| 6 months to 1 year | 9,768 | 14,144 |
| 1 to 2 years | 5,935 | 2,024 |
| Over 2 years | 789 | 647 |
| | 43,383 | 61,389 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. BORROWINGS

| | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---------------------------------------|--|--|
| Current | | |
| Short-term bank borrowings (note (a)) | | |
| – Secured bank borrowings | – | 5,000 |

All of the Group's borrowings are denominated in RMB.

Note:

(a) As at 31 December 2023, the carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

20. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Key management remuneration, including salaries and other employee benefits, amounted to approximately RMB2,247,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB2,430,000).

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.

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2024.

22. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2024 which would materially affect the Group's and the Company's operating and financial performance as of the date of this interim report.