Tailam Tech Construction Holdings Limited
泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6193)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Tailam Tech Construction Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018.

The annual results of the Group for the year ended 31 December 2019 have been reviewed by the audit committee of the Company (the "**Audit Committee**") and the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**541,070**	454,190
Cost of sales	*5*	**(457,908)**	(374,722)
Gross profit		**83,162**	79,468
Selling and marketing expenses	*5*	**(1,674)**	(3,401)
Administrative expenses	*5*	**(46,156)**	(26,626)
Reversal of impairment losses/(Impairment losses) on financial assets, net	*5*	**1,851**	(398)
Other income – net		**161**	482
Other gains/(losses) – net		**550**	(437)
Operating profit		**37,894**	49,088
Finance costs – net	*6*	**(2,419)**	(1,970)
Profit before income tax		**35,475**	47,118
Income tax expense	*7*	**(10,180)**	(13,095)
Profit for the year		**25,295**	34,023
Profit attributable to:			
– Owners of the Company		**24,949**	31,297
– Non-controlling interests		**346**	2,726
		25,295	34,023
Profit for the year		**25,295**	34,023
Other comprehensive income			
– Currency translation differences		**(1,701)**	(3,248)
Total comprehensive income for the year		**23,594**	30,775
Total comprehensive income attributable to:			
– Owners of the Company		**23,248**	28,049
– Non-controlling interests		**346**	2,726
		23,594	30,775
Earnings per share (expressed in RMB per share)			
– Basic and diluted	*8*	**0.08**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**50,327**	33,410
Intangible assets		**121**	155
Right-of-use assets		**12,505**	12,511
Deferred income tax assets		**1,093**	1,994
		64,046	48,070
Current assets			
Inventories		**18,793**	29,044
Trade and other receivables	*9*	**167,730**	138,505
Restricted cash		**3,431**	1,410
Cash and cash equivalents		**84,553**	33,566
		274,507	202,525
Total assets		**338,553**	250,595
Equity			
Equity attributable to owners of the Company			
Share capital	*10*	**3,584**	–
Share premium	*10*	**161,574**	–
Other reserves	*11*	**(19,315)**	13,833
Retained earnings		**63,379**	41,913
		209,222	55,746
Non-controlling interests		**–**	10,532
Total equity		**209,222**	66,278
Liabilities			
Non-current liabilities			
Lease liabilities		**257**	–

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*12*	**81,312**	65,455
Loans from controlling shareholder	*13*	**1,216**	71,865
Contract liabilities	*4(b)*	**5,853**	5,953
Current income tax liabilities		**2,155**	7,976
Borrowings		**38,500**	33,000
Obligations under finance leases		**–**	68
Lease liabilities		**38**	–
		129,074	184,317
Total liabilities		**129,331**	184,317
Total equity and liabilities		**338,553**	250,595

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. COMPANY INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of pre-stressed high-strength concrete piles (the "**PHC piles**") and commercial concrete (the "**Listing Business**") in the People's Republic of China (the "**PRC**").

Ms. Wong Han Yu Alice ("**Ms. Wong**") is the ultimate controlling shareholder of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**") since 18 December 2019.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. The consolidated financial statements were approved for issue by the board of directors of the Company on 31 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2019 comprise the Group.

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

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

(i) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early:

- Definition of Material – Amendments to HKAS 1 and HKAS 8.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2(ii). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2019 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for reporting periods beginning on or after
HKFRS 17 (ii)	Insurance Contracts	1 January 2021
Conceptual framework for financial reporting 2018 (ii)	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8 (ii)	Definition of Material	1 January 2020
Amendments to HKFRS 3 (ii)	Definition of a Business	1 January 2020

3. CHANGES IN ACCOUNTING POLICY

HKFRS 16 "Leases"

(i) The Group is a lessee of properties and transportation equipment which were classified as operating leases in the past. As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately RMB1,046,000, which were not reflected in the consolidated balance sheets. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside the balance sheets. Instead, operating leases must be recognised in the form of an asset (for the right-of-use) and a lease liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempted from the recognition. The new standard will therefore result in an increase in assets and liabilities in the consolidated balance sheets. As for the financial impact on profit or loss, the operating lease expense will decrease, while depreciation and amortisation and the interest expense will increase.

The Group has adopted HKFRS 16 from 1 January 2019 retrospectively, but has not restated the comparatives for the year ended 31 December 2018 as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

Upon adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.61%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

	RMB'000
Operating lease commitments at 31 December 2018	1,046
(Less): short-term leases recognised on a straight-line basis as expense	(279)
	767
Discounted using the lessee's incremental borrowing rate at the date of initial application	654
Lease liabilities recognised as at 1 January 2019	654
Of which:	
Current lease liabilities	397
Non-current lease liabilities	257
	654

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 1 January 2019 *RMB'000*
Land use rights	12,511
Transportation equipment	1,170
Properties	54
Total right-of-use assets	13,735

The change in accounting policy affected the following items on the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB13,735,000
- prepayments – decrease by RMB52,000
- lease liabilities – increase by RMB654,000

The net impact on retained earnings on 1 January 2019 was nil.

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(FRIC) 4 *Determining whether an Arrangement contains a Lease*.

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
PHC piles	**255,990**	233,318
Commercial concrete	**285,080**	220,872
	541,070	454,190

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**5,853**	5,953

(i) *Insignificant changes in contract liabilities*

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying products are yet to be provided. The changes in contract liabilities was insignificant as at 31 December 2018 and 2019 due to the credit terms as described in Note 9(a).

(ii) *Revenue recognised in relation to contract liabilities*

The following table shows the amount of revenue recognised in the respective year related to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**5,953**	5,756

(iii) Contract liabilities represent advanced payments received from customers for goods that have not yet been delivered to customers.

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

5. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Raw materials and consumables used	**416,371**	344,694
Changes in inventories of finished goods	**12,371**	3,466
Outsourcing labour costs	**12,257**	10,143
Utilities	**11,639**	11,755
Employee benefit expenses	**8,268**	8,455
Subcontracting costs	**6,509**	5,641
Depreciation and amortization charges	**5,572**	4,369
Freight charges	**5,037**	474
Travelling and entertainment expenses	**2,421**	2,320
Consulting fees	**2,242**	1,274
Business tax and surcharges	**2,183**	1,849
Auditors' remuneration – audit services	**1,470**	–
Maintenance costs	**1,390**	1,163
Reversal of provision for impairment of inventories	**–**	(107)
(Reversal of impairment losses)/impairment losses on trade and other receivables, net	**(1,851)**	398
Listing expenses	**14,891**	5,487
Others	**3,117**	3,766
	503,887	405,147

6. FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income:		
– Interest income from bank deposits	**376**	245
Finance costs:		
– Interest expenses on bank borrowings	**(2,752)**	(2,189)
– Interest expense on leases	**(43)**	(26)
	(2,795)	(2,215)
	(2,419)	(1,970)

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**9,279**	13,273
– PRC withholding income tax	**–**	106
	9,279	13,379
Deferred income tax		
– PRC corporate income tax	**901**	(178)
– PRC withholding income tax	**–**	(106)
	901	(284)
	10,180	13,095

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**35,475**	47,118
Tax calculated at domestic tax rates applicable to profits of the respective group entities	**9,679**	12,020
Tax effects of:		
– Expenses not deductible for tax purposes	**2,721**	1,015
– Tax losses for which no deferred income tax asset was recognised	**724**	60
– Super-deduction of research and development expenses	**(2,944)**	–
	10,180	13,095

The effective income tax rate was 29% (2018: 28%) for the year ended 31 December 2019.

PRC corporate income tax

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

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

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 ("**Super Deduction**"). The additional tax deducting amount of the qualified research and development expenses has been increased from 150% to 175%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018. The Group has considered the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the year ended 31 December 2019.

PRC withholding income tax

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

As at 31 December 2019, deferred tax liabilities of RMB8,939,000 (2018: RMB6,482,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are expected to be retained by the PRC subsidiaries for reinvestment purpose and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

8. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2018 and 2019 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company *(RMB'000)*	**24,949**	31,297
Weighted average number of shares in issue *(in thousands)*	**319,255**	300,000
Basic earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB per share)*	**0.08**	0.10

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

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
– Third parties	**123,564**	124,057
Less: allowance for impairment of trade receivables	**(957)**	(3,789)
	122,607	120,268
Other receivables		
– Deposits with third parties *(Note (b))*	**19,230**	–
– Third parties	**1,206**	823
Less: allowance for impairment of other receivables	**(101)**	(81)
	20,335	742
Prepayments		
– Third parties	**7,491**	10,883
Notes receivable		
– Third parties	**17,297**	6,612
	167,730	138,505

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

(i) Monthly settlement based on an agreed percentage of goods delivered, and the remaining balance will be settled after the completion of the superstructure of the customer's project;

(ii) Settlement from a strategic customer when the goods cumulatively delivered exceed an agreed amount; and

(iii) Settlement based on the goods delivered.

An ageing analysis of trade receivables as at 31 December 2018 and 2019 based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**56,612**	65,025
1 to 6 months	**62,712**	54,506
6 months to 1 year	**4,190**	1,984
1 to 2 years	**39**	2,162
Over 2 years	**11**	380
	123,564	124,057

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

	As at 31 December	
	2019	2018
Within 1 month	**0%**	1%
1 to 6 months	**1%**	3%
6 months to 1 year	**7%**	13%
1 to 2 years	**64%**	40%
Over 2 years	**100%**	100%

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**3,789**	3,631
(Reversal of)/Provision for impairment recognised during the year	**(1,871)**	393
Receivables written off during the year as uncollectible	**(961)**	(235)
At the end of the year	**957**	3,789

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**81**	76
Provision for impairment recognised during the year	**20**	5
At the end of the year	**101**	81

(b) The deposits with third parties represent a portion of proceeds from the IPO which were designated for the repayment of the Group's bank borrowings. The Group gave an irrevocable instruction to the underwriters to apply the proceeds to repay the bank borrowings within three months after the Listing.

10. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	**Share capital**		**Share premium**	**Total**
	Shares	*HK$*	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
As at 31 December 2019	1,000,000,000				
Issued and fully paid:					
Issue of ordinary shares on 7 March 2019 (date of incorporation)	10,000	100	–	–	–
Effect of the Reorganization	19,990,000	199,900	170	70,555	70,725
Issue of ordinary shares to a Pre-IPO Investor *(Note (a))*	1,400,000	14,000	12	17,142	17,154
Issue of ordinary shares pursuant to the Capitalization *(Note (b))*	299,600,000	2,996,000	2,692	(2,692)	–
Issue of ordinary shares pursuant to the Listing *(Note (c))*	79,000,000	790,000	710	91,844	92,554
Listing expenses charged to share premium	–	–	–	(15,275)	(15,275)
As at 31 December 2019	400,000,000	4,000,000	3,584	161,574	165,158

(a) On 25 March 2019, the Company allotted and issued an aggregate of 1,400,000 ordinary shares of the Company to the Pre-IPO Investor at a total consideration of RMB17,154,000, of which RMB12,000 was recorded in share capital, and the remaining amount of RMB17,142,000 was recorded in share premium.

(b) Pursuant to the written resolution passed by the shareholders on 5 November 2019 and conditional upon the share premium account of the Company being credited as a result of the Listing, the Directors were authorized to allot and issue a total of 299,600,000 ordinary shares, credited as fully-paid, at par by way of capitalization for the sum of RMB2,692,000 standing to the credit of the share premium account of the Company (the "**Capitalization**").

(c) On 18 December 2019, the Company issued 79,000,000 ordinary shares of HK$0.01 each at a price of HK$1.3 per share pursuant to the IPO.

11. OTHER RESERVES

	Statutory reserves *RMB'000* *(Note (a))*	Currency translation reserves *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
As at 1 January 2019	7,464	(5,601)	11,970	13,833
Currency translation differences	–	(1,701)	–	(1,701)
Repurchase of shares of a subsidiary from non-controlling interests	–	–	(14,373)	(14,373)
Effect of the Reorganization *(Note (b))*	–	–	(70,725)	(70,725)
Effect of waiver of loan from controlling shareholder *(Note (c))*	–	–	50,168	50,168
Appropriation of statutory reserves *(Note (a))*	3,483	–	–	3,483
As at 31 December 2019	10,947	(7,302)	(22,960)	(19,315)
As at 1 January 2018	3,778	(2,353)	8,416	9,841
Appropriation to statutory reserves *(Note (a))*	3,686	–	–	3,686
Currency translation differences	–	(3,248)	–	(3,248)
Capital injection from non-controlling interests	–	–	3,554	3,554
As at 31 December 2018	7,464	(5,601)	11,970	13,833

(a) PRC statutory reserve

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

(b) Other reserves of approximately RMB70,725,000 were debited which represented the carrying value of the Listing Business as at 21 March 2019 when the Company acquired the entire equity interest of Tailam Group Holdings Limited.

(c) On 2 April 2019, a loan waiver agreement was entered into between Ms. Wong and Tailam Group Holdings Limited, pursuant to which approximately RMB50,168,000 would be waived by Ms. Wong conditionally upon Listing.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables *(Note (a))*		
– Third parties	**72,700**	54,420
Other payables		
– Third parties	**670**	861
Accrued payroll	**2,684**	3,606
Accrued listing expenses	**1,695**	3,050
Other tax payables	**1,663**	2,108
Accrued audit fees	**1,470**	–
Notes payable	**430**	1,410
	81,312	65,455

Trade and other payables are denominated in RMB.

(a) An ageing analysis of trade payables as at 31 December 2018 and 2019 based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 1 month	**28,490**	26,184
1 to 6 months	**28,646**	26,064
6 months to 1 year	**14,956**	804
1 to 2 years	**290**	605
Over 2 years	**318**	763
	72,700	54,420

13. LOANS FROM CONTROLLING SHAREHOLDER/A SHAREHOLDER OF A SUBSIDIARY

As at 31 December 2019, loans from controlling shareholder were denominated in USD, unsecured, interest free and repayable on demand.

Movements of loans from controlling shareholder

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**71,865**	62,252
Loan advanced	**9,969**	5,225
Loan repayment made	**(30,450)**	(11,860)
Non-cash movement	**(50,168)**	3,305
Transferred from loans from a shareholder of a subsidiary	**–**	12,943
At the end of the year	**1,216**	71,865

Movements of loans from a shareholder of a subsidiary

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**–**	12,966
Loan repayment made	**–**	(23)
Transferred to loans from controlling shareholder	**–**	(12,943)
At the end of the year	**–**	–

14. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We manufacture and sell PHC piles (i.e., pre-stressed high-strength concrete pile, a subset of tubular pile) and commercial concrete in the PRC. We have a production plant in Qidong City, Nantong, Jiangsu Province, the PRC. Our PHC piles are mainly sold to customers under our own trademark and both the PHC piles and commercial concrete are primarily used in buildings and infrastructure projects. During the year ended 31 December 2019, our products were mainly sold to property developers and construction companies in Jiangsu Province.

Having good and stable business relationship with customers is important as our customers are generally inclined to purchase PHC piles and commercial concrete from suppliers who have been doing business with them for a long time and who are able to maintain a good standard of quality in their products.

We place considerable emphasis on quality control, safety standard and environmental protection. In addition, we offer flexible and pro-active sales service, such as allowing our customers to place orders for our PHC piles and commercial concrete with us as close as one day before the expected date of delivery. As a result, despite the fierce competition in the industry, our business has experienced a significant growth during the past year.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB86.9 million, or approximately 19.1%, from approximately RMB454.2 million for the year ended 31 December 2018 to approximately RMB541.1 million for the year ended 31 December 2019. This increase was primarily due to the increase in both the sales volume of our PHC piles and commercial concrete as a result of the increased market demand. The increases were primarily driven by the growth in the construction industry in Jiangsu Province and the increased demand from our customers for the development of residential and commercial projects in Qidong City.

Gross Profit

Our gross profit increased by approximately RMB3.7 million, or approximately 4.7%, from approximately RMB79.5 million for the year ended 31 December 2018 to approximately RMB83.2 million for the year ended 31 December 2019. Our gross profit margin decreased from approximately 17.5% for the year ended 31 December 2018 to approximately 15.4% for the year ended 31 December 2019. The decrease in gross profit margin was primarily due to the combined effect of the decrease in gross profit margin of PHC pile products and commercial concrete products.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by approximately RMB1.7 million, or approximately 50.8%, from approximately RMB3.4 million for the year ended 31 December 2018 to approximately RMB1.7 million for the year ended 31 December 2019, primarily due to the decrease in employee benefit expenses in current year.

Administrative expenses

Our administrative expenses increased by approximately RMB19.5 million, or approximately 73.3%, from approximately RMB26.6 million for the year ended 31 December 2018 to approximately RMB46.2 million for the year ended 31 December 2019, primarily due to the incurrence of Listing expenses of approximately RMB14.9 million.

Annual Results

Our profit for the year ended 31 December 2019 decreased by approximately RMB8.7 million, or approximately 25.7%, from approximately RMB34.0 million for the year ended 31 December 2018 to approximately RMB25.3 million for the year ended 31 December 2019.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group employed approximately 40 full-time employees and 146 outsourced workers (2018: approximately 36 full-time employees and 164 outsourced workers).

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's overall funding and treasury activities are currently managed and controlled by the Directors 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 requirements.

The Group maintained cash and bank balances of approximately RMB84.6 million as at 31 December 2019 (31 December 2018: approximately RMB33.6 million).

As at 31 December 2019, the Group's borrowings amounted to approximately RMB38.5 million (31 December 2018: approximately RMB33.0 million). As at 31 December 2019, the gearing ratio (total debt/total equity) was 0.6 (31 December 2018: 2.8).

As at 31 December 2019, the current ratio (current assets/current liabilities) was 2.1 (31 December 2018: 1.1) and the net current assets amounted to approximately RMB145.4 million (31 December 2018: approximately RMB18.2 million).

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures apart from the reorganisation of the Group in relation to the Listing as disclosed in the prospectus of the Company dated 5 December 2019 (the "**Prospectus**"), and the Group did not hold any significant investments.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's buildings of RMB17,452,000, land use rights of RMB12,216,000 and bank deposits were pledged as collateral for the Group's borrowings.

PROSPECTS

As we entered 2020, given the outbreak of novel coronavirus (the "**COVID-19 Outbreak**") and the continued trade dispute between the United States and China as well as a decrease in consumer sentiment in China, it is expected that the property development market will be affected, which in turn could pose certain challenges to the Group and affect its short term business performance.

The Group will continue to carry out its business strategies as set out in the section headed "Business – Our strategies" in the Prospectus. We intend to use the net proceeds from the Listing in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus to enhance our efficiency and competitiveness. Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group does not have any other plans for material investments or capital assets. For further details on the intended use of the net proceeds from the Listing, please refer to the annual report to be published by the Company.

Currently, our business is heavily reliant on the market in Jiangsu Province. It is the Group's long term business plan that once we become familiar with the competitive landscape and the needs, specification requirements, quality and price expectation of the Shanghai end users, we will consider selling directly to end users in Shanghai and cooperate with other subcontractors who can produce commercial concrete on similar terms with good quality and at a price commercially acceptable to us.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting environmental sustainability. Being a PHC piles and concrete manufacturer in the PRC, dust, waste water, noise and different sorts of pollutants are generated during our production processes.

The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. For details of the environmental protection law applicable to the Group, please see the section headed "Regulatory Overview" in the Prospectus.

During the year ended 31 December 2019, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

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

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

The Group considers maintaining good relationship with customers and providing products in a way that satisfies the needs and requirements of the customers to be of paramount importance, and has established procedures in place for handling customers' complaints to ensure they are dealt with in a prompt and timely manner.

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

KEY RISKS AND UNCERTAINTIES

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

Market Risks

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

Business Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

The Group's interest rate risk arises from borrowings. All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest rate risk. The Group closely monitors its interest rate exposure and will consider managing this risk in a cost-effective manner when appropriate, through a variety of means. The Group did not engage in any hedging activity during the year ended 31 December 2019.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the Group has the ability to finance its operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The senior management of the Group identifies and assesses key operational exposures regularly so that appropriate risk response can be taken. However, accidents may happen despite systems and procedures were set up for their prevention, which may lead to financial loss, litigation or damage in reputation.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. A key feature of the investment framework is balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with the appropriate and required skills, experience and competence to meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel based on factors such as market rates, responsibility, job complexity as well as the Group's performance. The Group has also adopted a share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

CORPORATE GOVERNANCE

The Company's shares (the "**Shares**") have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code from the period from the Listing Date and up to 31 December 2019 (the "**Reporting Period**"). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

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

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee has three members comprising of Mr. Lai Chun Yu (Chairman), Mr. Cui Yu Shu and Ms. Wong Siu Yin Rosella, all being independent non-executive Directors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Shares were first listed on the Main Board of the Stock Exchange on the Listing Date. During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 Outbreak in early 2020, a series of precautionary and control measures have been and continue to be implemented across the PRC, including the regions where the Group operates. Due to the COVID-19 Outbreak, the Group's original resumption plan of production after the Chinese New Year had to be postponed. The shortage of staff and workers, the serious interruption of the supply chain and the delay of the customers' construction progress adversely affected the Group's production and sales in the first quarter of 2020. Following the gradual improvement of the health condition in the regions where the Group operates, management expects that the Group could be able to gradually resume its fully production capacity in the second quarter of 2020. However, the speed of recovery still depends on the duration and the progress of the epidemic prevention and control, and the prevention and control policies implemented by the governments in the regions where the Group operates.

The Company will continue to pay close attention to the development of the disease, and will actively respond to its impact on the Group's financial position, operating results and other aspects. As at the date of this announcement, the assessment is still in process and it is not practicable to provide a reasonable estimate over the financial impact on the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 June 2020 to Friday, 12 June 2020, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the annual general meeting of the Company (the "**AGM**") to be held on Friday, 12 June 2020, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 5 June 2020.

USE OF PROCEEDS FROM LISTING

The total net proceeds from the Listing involving the issue of 79,000,000 ordinary shares of the Company amounted to approximately HK$63.7 million. During the Reporting Period, the net proceeds from the Listing had not been used given the short duration in between the Listing Date and the financial year end. The proposed applications of the use of proceeds have been set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As disclosed in the announcement of the Company on 17 December 2019, the Company intended to use the proceeds from the Listing as follows:

Use of proceeds	**Amount of net proceed available to be utilized** *HK$ million*
Expand our production facilities	31.0
Expand our workforce	1.6
Further improve our environmental protection system	3.9
Further strengthen our sales and marketing capabilities	3.3
Upgrade our ERP System	2.2
Repayment of bank loans	21.4
General working capital	0.3
Total	63.7

The net proceeds that were not applied immediately have been temporarily placed in the short-term deposits with financial institutions.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tlpile.com) in due course.

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

Hong Kong, 31 March 2020

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.