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Tailam Tech Construction Holdings Limited

泰林科建控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6193)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Tailam Tech Construction Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 5 December 2019 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of share offer, the announcement of the Company dated 17 December 2019 (the “**Allotment Results Announcement**”), the annual report of the Company for the year ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”) in which the utilisation of the net proceeds from the Listing and up to 30 June 2020 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

PLANNED USE OF PROCEEDS

As set-out in the section headed “Future Plans and Use of Proceeds” in the Prospectus and as disclosed in the Allotment Results Announcement, the actual net proceeds raised from the Listing, after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK\$63.7 million (the “**Net Proceeds**”), and the Company intended to use the Net Proceeds for the following purposes: (i) Expand our production facilities; (ii) Expand the Group’s workforce; (iii) Further improve the Group’s environmental protection system; (iv) Further strengthen the Group’s sales and marketing capabilities; (v) Upgrade the Group’s ERP system; (vi) Repayment of bank loans and (vii) General replenishment of working capital.

As at 31 August 2020, according to the unaudited consolidated management accounts of the Group, the Group had used approximately HK\$46.6 million, and the remaining balance of the Net Proceeds was approximately HK\$17.1 million (the “**Unutilised Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company, having considered the business environment and development of the Group, has resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds:

	Original planned use of Net Proceeds HK\$ million	Utilised Net Proceeds as of the date of this announcement HK\$ million	Unutilised Net Proceeds as of the date of this announcement HK\$ million	Proposed change of allocation of unutilised Net Proceeds HK\$ million	Revised allocation of Unutilised Net Proceeds HK\$ million	Expected timeline for utilising the Unutilised Net Proceeds
Expand the Group's production facilities	31.0	20.0	11.0	(11.0)	-	-
Expand the Group's workforce	1.6	0.7	0.9	-	0.9	By the end of 2020
Further improve the Group's environmental protection system	3.9	3.9	-	-	-	-
Further strengthen sales and marketing capabilities	3.3	0.3	3.0	-	3.0	By the end of 2021
Upgrade the Group's ERP system	2.2	-	2.2	-	2.2	By the end of 2021
Repayment of bank loans	21.4	21.4	-	-	-	-
General working capital	0.3	0.3	-	-	-	-
Establishment of production line of ceramsite concrete block	-	-	-	11.0	11.0	By the end of 2020
	<u>63.7</u>	<u>46.6</u>	<u>17.1</u>	<u>-</u>	<u>17.1</u>	

REASONS FOR THE CHANGE IN USE OF PROCEEDS

As disclosed in the Interim Report 2020, due to the outbreak of novel coronavirus in early 2020 and the slowdown of construction activities in the PRC, the production and sales volume of the Group was significantly decreased during the six months ended 30 June 2020, and the net proceeds of approximately HK\$11.0 million to be utilised in expanding the Group's production facilities was postponed. The Group considered that there will not be a present need to establish one production line for square pile as originally planned.

The Group assessed the business environment, its product mix and its business strategies. After due consideration, the Board considers that the Group's proposed investment into the production and sales of ceramsite concrete blocks, which are building materials that have properties of being lightweight, and its application will bring economic and social benefits, as the use of ceramsite concrete blocks can shorten the time of construction and reduce the dust and noise caused during the construction process. The inclusion of ceramsite concrete blocks will enrich the Group's product portfolio and establish an additional revenue stream.

As at the date of this announcement, the Company is in negotiation to purchase a series of basic facility required for the establishment of production line for ceramsite concrete blocks, which include but not limited to the core-pulling mechanism, moulding machines and other machines.

The Board considers that the reallocation of the part of the Unutilised Net Proceeds to the establishment of production line for ceramsite concrete blocks will be more favourable to the Group's long-term business development, as well as a better utilisation of the Unutilised Net Proceeds. The Board therefore considers that such change in the use of Net Proceeds is in the best interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

By order of the Board
Tailam Tech Construction Holdings Limited
Wong Han Yu Alice
*Chairperson, Executive Director and Chief
Executive Officer*

Hong Kong, 14 September 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.