Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

JiaChen Holding Group Limited
佳辰控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1937)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The board of directors (the "**Directors**" and the "**Board**", respectively) presents the audited consolidated financial results of JiaChen Holding Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	4	**182,178**	270,859
Cost of sales		**(144,422)**	(202,542)
Gross profit		**37,756**	68,317
Other revenue and other net income	5	**12,388**	1,951
Selling and distribution expenses		**(5,580)**	(5,031)
Impairment of contract assets and trade and bills receivables	8	**(15,464)**	(5,778)
Reversal of impairment/(impairment) of other receivables	8	**213**	(323)
Administrative expenses		**(22,493)**	(28,358)
Profit from operations		**6,820**	30,778
Finance costs	7	**(5,062)**	(7,098)
Profit before taxation	8	**1,758**	23,680
Income tax	9	**(970)**	(4,389)
Profit and total comprehensive income for the year		**788**	19,291
Attributable to:			
Owners of the Company		**744**	19,100
Non-controlling interests		**44**	191
Profit and total comprehensive income for the year		**788**	19,291
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted earnings per share	10	**0.08**	2.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment		**29,394**	28,061
Land use rights		**7,867**	8,040
Right-of-use assets		**531**	1,234
Other intangible assets		**94**	142
Long-term deposits and prepayments	11	**55,000**	–
Deferred tax assets		**5,059**	2,739
		97,945	40,216
Current assets			
Inventories		**30,959**	29,585
Contract assets	12	**77,963**	61,115
Trade and bills receivables	13	**119,381**	193,804
Deposits, prepayments and other receivables		**12,332**	14,877
Restricted bank deposits		**4,616**	3,470
Cash and cash equivalents		**52,599**	16,414
		297,850	319,265
Total assets		**395,795**	359,481
Current liabilities			
Trade and bills payables	14	**27,797**	37,579
Contract liabilities	12	**3,870**	2,186
Accruals and other payables		**17,966**	31,936
Lease liabilities		**883**	827
Bank borrowings	15	**71,000**	113,368
Tax payable		**1,742**	1,817
		123,258	187,713
Net current assets		**174,592**	131,552
Total assets less current liabilities		**272,537**	171,768
Non-current liabilities			
Lease liabilities		**866**	2,063
Net assets		**271,671**	169,705

	Notes	2020 RMB'000	2019 RMB'000
Equity			
Share capital	16	**8,856**	–
Reserves		**261,657**	168,025
Equity attributable to owners of the Company		**270,513**	168,025
Non-controlling interests		**1,158**	1,680
Total equity		**271,671**	169,705

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to owners of the Company							
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	61,927	1,568	8,152	77,278	148,925	1,489	150,414
Profit and total comprehensive income for the year	–	–	–	–	19,100	19,100	191	19,291
Transfer of statutory reserve	–	–	–	1,981	(1,981)	–	–	–
At 31 December 2019 and 1 January 2020	–	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Issuance of new shares under capitalisation issue	6,642	(6,642)	–	–	–	–	–	–
Issuance of new shares under the Global Offering (as defined in note 10)	2,214	115,128	–	–	–	117,342	–	117,342
Shares issuing costs	–	(16,164)	–	–	–	(16,164)	–	(16,164)
Effects arising from capital contribution to a partially-held subsidiary	–	–	9	–	557	566	(566)	–
Profit and total comprehensive income for the year	–	–	–	–	744	744	44	788
Transfer of statutory reserve	–	–	–	935	(935)	–	–	–
At 31 December 2020	8,856	154,249	1,577	11,068	94,763	270,513	1,158	271,671

NOTES:

1. CORPORATE INFORMATION

JiaChen Holding Group Limited (the "**Company**") was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is No. 18 Changhong East Road, Henglin Town, Wujin District, Changzhou, Jiangsu, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of access flooring products and the provision of the related installation services. During the reporting periods, the principal business of the Group was carried out through 佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd*) ("**JiaChen Floor**"), which is an indirect non wholly-owned subsidiary of the Company established in the PRC.

Pursuant to a group reorganisation (the "**Reorganisation**") completed by the Group during the year ended 31 December 2018 in preparation for the initial listing (the "**Listing**") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Company's prospectus dated 31 December 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

* *For identification only*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the financial result of Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). Renminbi ("**RMB**") is the functional currency of all entities of the Group. These consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousand of RMB ("**RMB'000**"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. POSSIBLE IMPACT OF AMENDMENTS AND A NEW STANDARD ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, *COVID-19 – Related Rent Concessions*	1 June 2020
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	**173,126**	257,753
– Provision of installation services	**9,052**	13,106
	182,178	270,859
Analysis of revenue by types of contracts:		
– Supply of access flooring plates and provision of installation services	**147,627**	216,814
– Supply of access flooring plates	**34,535**	52,634
– Provision of installation services	**16**	1,411
	182,178	270,859

Set out below is an analysis of revenue recognised over time and at a point in time:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised over time:		
– Sales of access flooring plates	**138,591**	205,119
– Provision of installation services	**9,052**	13,106
	147,643	218,225
Revenue recognised at a point in time:		
– Sales of access flooring plates	**34,535**	52,634
	182,178	270,859

5. OTHER REVENUE AND OTHER NET INCOME

	2020	2019
	RMB'000	*RMB'000*
Other revenue:		
Bank interest income	**270**	115
Other interest income	**796**	923
	1,066	1,038
Other net income or loss:		
Government grants and subsidies *(Note below)*	**10,571**	59
Scrap sales	**901**	846
Net loss on disposal of property, plant and equipment	**(39)**	(15)
Exchange (loss)/gain, net	**(269)**	17
Sundry income	**158**	6
	11,322	913
	12,388	1,951

Note: Government grants and subsidies were received from the local government authorities in the PRC. There are no conditions attached to the grants and subsidies received by the Group.

6. OPERATING SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has two reportable operating segments which are the manufacturing and sales of the following two product lines:

– Steel access flooring plates; and

– Calcium-sulfate access flooring plates.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

– Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and bills payables, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segments results represent profit or loss attributable to the reportable segments without allocation of certain administrative costs and directors' remuneration. Taxation and finance costs are not allocated to reportable segments. This is the measure reported to the Group's most senior executive management, who are also the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**146,973**	221,946	**35,205**	48,913	**182,178**	270,859
Reportable segment gross profit	**28,814**	56,120	**8,942**	12,197	**37,756**	68,317
Reportable segment results	**8,011**	34,825	**3,712**	7,465	**11,723**	42,290
Other information:						
Other revenue and other net income/(loss):						
– Government grants and subsidies	**8,528**	49	**2,043**	10	**10,571**	59
– Net loss on disposal of property, plant and equipment	**(39)**	(15)	**–**	–	**(39)**	(15)
– Scrap sales	**901**	846	**–**	–	**901**	846
– Exchange (loss)/gain, net	**(217)**	14	**(52)**	3	**(269)**	17
– Sundry income	**158**	6	**–**	–	**158**	6
Depreciation and amortisation	**3,505**	3,703	**2,005**	1,595	**5,510**	5,298
Impairment of trade and bills receivables	**11,751**	4,704	**2,814**	1,037	**14,565**	5,741
Impairment of contract assets	**725**	30	**174**	7	**899**	37
(Reversal of impairment)/impairment of other receivables	**(213)**	323	**–**	–	**(213)**	323
Reportable segment assets	**273,918**	287,460	**61,266**	48,138	**335,184**	335,598
Additions to non-current segment assets during the year	**4,857**	608	**1,409**	2,404	**6,266**	3,012
Reportable segment liabilities	**111,275**	164,475	**11,107**	12,676	**122,382**	177,151

(b) Reconciliations of reportable segment revenue and profit or loss

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**182,178**	270,859
Profit or loss		
Reportable segment results	**11,723**	42,290
Unallocated other revenue	**1,066**	1,038
Unallocated head office and corporate expenses	**(5,969)**	(12,550)
Unallocated finance costs	**(5,062)**	(7,098)
Consolidated profit before taxation	**1,758**	23,680

(c) Reconciliations of reportable assets and liabilities

	2020	2019
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**335,184**	335,598
Unallocated head office and corporate assets	**60,611**	23,883
Consolidated total assets	**395,795**	359,481
Liabilities		
Reportable segment liabilities	**122,382**	177,151
Unallocated head office and corporate liabilities	**1,742**	12,625
Consolidated total liabilities	**124,124**	189,776

(d) Information about major customer

Revenue from the Group's major customer, which individually accounted for 10% or more of the total revenue of the Group, is set out below:

	2020	2019
	RMB'000	*RMB'000*
Steel access flooring plates:		
Customer A *(Note 13(a))*	**N/A**	36,738

N/A – not applicable

(e) Geographical information

The Group's operations are primarily located in the PRC. The non-current assets of the Group are primarily located in the PRC. Accordingly, no analysis by geographical basis is presented.

The following table sets out information about the geographical analysis of the Group's revenue based on the location of the Group's external customers.

	2020	2019
	RMB'000	*RMB'000*
PRC	**157,011**	249,963
Hong Kong	**1,653**	3,513
Other countries *(Note below)*	**23,514**	17,383
	182,178	270,859

Note: Other countries mainly include Thailand, Malaysia, Taiwan and Singapore.

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank borrowings	**4,772**	6,647
Loss on derecognition of financial assets upon factoring without recourse	**184**	319
Unwinding of finance costs on lease liabilities	**106**	132
	5,062	7,098

8. PROFIT BEFORE TAXATION

Profit before taxation is stated at after charging and (crediting):

	2020	2019
	RMB'000	*RMB'000*
Contract costs of goods sold and services rendered *(Note (a))*	**144,422**	202,542
Depreciation of property, plant and equipment	**4,904**	4,667
Depreciation of right-of-use assets	**887**	819
Amortisation of other intangible assets	**48**	48
Amortisation of land use rights	**173**	173
Impairment of trade and bills receivables *(Note 13(b))*	**14,565**	5,741
Impairment of contract assets *(Note 12(a)(vi))*	**899**	37
	15,464	5,778
(Reversal of impairment)/impairment of other receivables	**(213)**	323
Net loss on disposal of property, plant and equipment	**39**	15
Auditor's remuneration	**926**	704
Listing expenses:		
– Auditor	**–**	1,199
– Other professional fees	**4,811**	10,259
Operating lease charges in respect of properties and land use rights	**166**	325
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**12,351**	10,844
– Contributions to defined contribution retirement plans	**1,423**	3,004
Research and development costs *(Note (b))*	**7,043**	9,911

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of the goods sold and services rendered were the raw materials consumed of approximately RMB108,938,000 (2019: RMB153,997,000), staff costs of approximately RMB5,443,000 (2019: RMB6,658,000), installation costs of approximately RMB7,961,000 (2019: RMB11,511,000), transportation costs of approximately RMB7,561,000 (2019: RMB13,682,000), depreciation of property, plant and equipment of approximately RMB3,966,000 (2019: RMB3,856,000) and depreciation of right-of-use assets of approximately RMB647,000 (2019: RMB647,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB4,805,000 (2019: RMB7,779,000), staff costs of approximately RMB1,253,000 (2019: RMB1,287,000) and depreciation of property, plant and equipment of approximately RMB373,000 (2019: RMB213,000), of which, their respective total amounts were disclosed above for each type of these expenses.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for the Hong Kong Profits Tax has been made as the Company has no taxable income derived in Hong Kong during the years ended 31 December 2020 and 2019.

Jinyueda Development Limited ("**Jinyueda Development**") and Victor Best Investment Limited ("**Victor Best Investment**"), which were incorporated in Hong Kong in 2017 and 2016, respectively, are subject to Hong Kong Profits Tax at the rate of 16.5% on the assessable profits in Hong Kong. Neither Jinyueda Development nor Victor Best Investment has assessable profits derived in Hong Kong during the years ended 31 December 2020 and 2019.

LeiShuo Ventures Development Limited and Rui Xing Holdings Limited were incorporated in the BVI and none of them has assessable profits derived in Hong Kong during the years ended 31 December 2020 and 2019.

Pursuant to the PRC Income Tax Law and the respective regulations, all the subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on the taxable income. On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as "High Technology Enterprise". Accordingly, JiaChen Floor was entitled to a preferential CIT rate of 15% for years ended 31 December 2020 and 2019. Changzhou Jintai Business Information Consulting Co., Ltd.* ("**Changzhou Jintai**") and Changzhou Jingang Business Information Consulting Co., Ltd.* ("**Changzhou Jingang**"), which were established in the PRC in 2017, are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits and each of Changzhou Jintai and Changzhou Jingang has no taxable profit since their respective dates of establishment.

During the years ended 31 December 2020 and 2019, in accordance with the then applicable notice "Cai Shui [2015] Notice 119" and the new notice "Cai Shui [2018] Notice 99", 75% of the Group's qualifying research and development expenses were allowed, respectively, as additional deductions for the purposes of the CIT calculations. Details of the Group's research and development expenses during the years ended 31 December 2020 and 2019 are disclosed in Note 8(b).

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. At 31 December 2020 and 2019, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax – PRC Corporation Income Tax		
– Charge for the year	**3,290**	4,007
Deferred tax		
– Origination and reversal of temporary differences	**(2,320)**	382
	970	4,389

10. EARNINGS PER SHARE

The Company completed the Listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including 10,130 ordinary shares in issue at 31 December 2019, an aggregate of 250,000,000 new ordinary shares issued under the global offering to the public in Hong Kong and under placing arrangement with selected professional institutional and other investors (the "**Global Offering**"), and 749,989,870 new ordinary shares issued by way of capitalisation out of the share premium to the Company's shareholders. The calculation of the basic earnings per share for each of the two years ended 31 December 2020 and 2019 is based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**744**	19,100
	'000	*'000*
Number of ordinary shares		
Number of ordinary shares for the purpose of basic earnings per share at the beginning of the reporting period	**750,000**	750,000
Effect of shares issued under the Global Offering	**239,754**	–
Weighted average number of shares for the purpose of basic earnings per share	**989,754**	750,000

Basic earnings per share for the year ended 31 December 2020 amounted to RMB0.08 cent (2019: RMB2.55 cents) per share. The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 16 January 2020, as if it had been effective at the beginning of the Reorganisation on 1 January 2019.

Diluted earnings per share is the same as basic earnings per share as there was no dilutive potential ordinary share of the Company outstanding during both years.

11. LONG-TERM DEPOSITS AND PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Prepayments for acquisition of property, plant and equipment *(Note (a))*	**15,000**	–
Deposit paid for acquisition of land use rights *(Note (b))*	**40,000**	–
	55,000	–

(a) Prepayments for acquisition of property, plant and equipment are made in accordance with the payment terms as stipulated in the acquisition contract entered into between JiaChen Floor and an independent third party. The acquisition costs which are contracted but not provided for are included in commitments.

(b) By reference to a memorandum of understanding made by the Group and the Municipal Government in Henglin Town Government of Wujin District, Changzhou City, the PRC (the "**Local Government**") on 20 December 2018 (the "**MOU**") in relation to the proposed acquisition of a parcel of land located in Henglin Town, Wujin District , Changzhou City, the PRC, on 29 December 2020, the Group paid a refundable deposit of RMB40,000,000 to the Local Government which will be applied to settle the consideration to be agreed. On 25 March 2021, the Group and the Local Government, entered into a supplemental MOU under which the valid period of the proposed acquisition of the parcel of land, with approximately 64 mu (previously 45 mu under the 2018 MOU above) located in the same area, has been extended to 30 September 2021. At 31 December 2020 and up to the date of approval of the consolidated financial statements, the necessary governmental procedures and the negotiations for the final terms of the proposed transfer of the land have not yet been completed and the binding formal sale and purchase agreement has not yet been signed.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Reported on the consolidated statement of financial position:		
Under current assets		
Contract assets *(Note (a))*	**80,193**	62,446
Less: Allowance for lifetime expected credit losses *(Note (a)(vi))*	**(2,230)**	(1,331)
	77,963	61,115
Under current liabilities		
Contract liabilities *(Note (b))*	**3,870**	2,186

(a) Contract assets

Contract assets, before deduction of allowance for lifetime expected credit losses (“**ECL**”), comprise the following components:

	2020	2019
	RMB’000	*RMB’000*
Rights to consideration for obligations performed on contracts in progress	**63,458**	44,218
Retention monies receivable on completed contracts	**16,735**	18,228
	80,193	62,446

(i) As at 31 December 2020 and 2019, the contract assets represent the Group’s rights to consideration for access flooring plates and/or installation services transferred to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the installed access flooring plates transferred by the Group, other than on passage of time. The contract assets are transferred to trade receivables when the rights to receipt of the consideration for performed obligations become unconditional and transfers out of contract assets to trade receivables were made.

For the contract assets at 31 December 2020 and 2019, there was no material dispute received from any of the Group’s customers.

(ii) ***Movements of the contract assets, before allowance for lifetime ECL, during the year ended 31 December 2020 are as follows:***

	2020	2019
	RMB’000	*RMB’000*
Beginning of the year	**62,446**	90,557
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) *(Note 4)*	**182,178**	270,859
– Value-added tax on revenue recognised *(Note below)*	**21,770**	34,189
	203,948	305,048
Transferred to trade receivables when rights to payments became unconditional	**(185,616)**	(329,817)
Transferred to and offset by contract liabilities	**(585)**	(3,342)
End of the year	**80,193**	62,446

Note:

During the years ended 31 December 2020 and 2019, the considerations of those contracts entered into between the Group and the customers in the PRC were subject to value-added taxes ("**VAT**"), which are collected on behalf of the tax authorities and are excluded from the revenue recognised from performance obligations discharged by the Group, at the applicable rates as follow:

– 10% – 16% for the period from May 2018 to March 2019; and

– 9% – 13% for the period commencing from April 2019.

The considerations of the export sales contracts entered into between the Group and foreign customers are not subject to the VAT.

(iii) An ageing analysis of the contract assets, based on the date of revenue recognition and before allowance for lifetime ECL, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**15,307**	15,804
1 to 3 months	**21,009**	10,569
3 to 6 months	**9,575**	9,297
6 to 9 months	**7,805**	12,681
9 to 12 months	**1,060**	3,185
1 – 2 years	**25,217**	10,796
Over 2 years	**220**	114
	80,193	62,446

The billings for payments of contract assets, which include the retention monies receivable as further disclosed in (iv) below, are issued by the Group only after the customers completed the quality and/or quantity checks on the work performed by the Group.

In the opinion of the directors of the Company, there was no material dispute with any of its customers regarding the contract assets at the reporting period end.

The Group's actual historic bad debt rates of contract assets as at 31 December 2014, 2015, 2016, 2017 and 2018 were 0%, 0%, 0.18%, 1.43% and 1.65%, respectively.

Further disclosures on the recoverability assessment of contract assets are set out in Note 12(a)(vi) and Note 13(c) below.

(iv) ***Retention monies receivable***

Retention monies receivable included in contract assets represent the Group's rights to receipt of consideration for obligations of completed contracts which are conditional on the customers' final quality check on the installed access flooring plates transferred to the customers i.e. contract obligations completed by the Group, at the end of the product assurance warranty period. The retention monies receivable included in contract assets are transferred to the trade receivables when the rights to payments become unconditional, which is typically at the expiry date of the product assurance warranty period when the customers have completed their final check on the quality of the installed access flooring plates i.e. supplied access flooring plates and installation services completed, which represent the contract obligations performed by the Group.

At 31 December 2020, included in contract assets were retention monies receivable from the customers amounting to approximately RMB16,735,000 (2019: approximately RMB18,228,000). The terms and conditions for the release of retention monies held by the customers vary from contract to contract. The retention monies receivable from the customers generally represent 3% to 10% of consideration of the relevant contracts, that are retained by the customers as protection for defects of the transferred access flooring plates and the Group's entitlement to payment of retention monies receivable are conditional upon the customers' final physical inspection of the quality of the transferred access flooring plates at the expiry of the respective product assurance warranty period of the relevant contracts. In the opinion of the directors of the Company, the retention monies retained by the customers under the relevant contracts are not intended as a financing arrangement by the Group to the customers.

(v) An ageing analysis of the retention monies receivable under the product assurance type warranty period, based on the date of revenue recognition and before allowance for lifetime ECL, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**1,658**	934
1 to 3 months	**2,396**	1,434
3 to 6 months	**697**	626
6 to 9 months	**797**	4,594
9 to 12 months	**168**	767
1 – 2 years	**10,886**	9,781
Over 2 years	**133**	92
	16,735	18,228

There were no significant cost incurred in the past for those access flooring plates and/or installation services after sales during the product assurance type warranty period. At 31 December 2020, management of the Group was not aware of any material disputes or events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates and/or installation services sold to the customers.

The Group's entitlement to payments of the retention monies retained by its customers is only after the customers' final quality checks on the access flooring plates and/or installation services after sales at the end of the respective product assurance type warranty periods, which generally fall between 1-2 years after sales, under the relevant contracts.

An analysis of due dates for settlement of the Group's retention monies receivable that are held by the customers during the product assurance warranty period, before allowance for lifetime ECL, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**11,412**	8,612
Between 1 and 2 years	**5,323**	9,616
	16,735	18,228

(vi) Impairment assessment of the contract assets

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of the contracts. The Group's customers are mainly the large property developers and state-owned enterprises with high credit rating and their payment history with the Group are considered to be good. There was no material dispute or claim received from any of the customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the customers. The Group concluded that the lifetime ECL rates for trade and bills receivables are a reasonable approximation of the rates for lifetime ECL for contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the net carrying amount of contract assets (after deduction of allowance for lifetime ECL) are still considered fully recoverable at 31 December 2020. The Group does not hold any collateral as security for the contract assets at 31 December 2020.

The historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016, 2017 and 2018 were 0%, 0%, 0.18%, 1.43% and 1.65%, respectively. At 31 December 2020 and 2019, management of the Group estimated the lifetime ECL on contract assets based on the trend of the historic bad debt rates of contract assets, taking into account of the history and patterns of billings to and settlements from the customers, other factors specific to the customers and forward looking information, such as the expected economic conditions which might have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts. The rates of 2.78% (2019: 2.13%) was applied by management of the Group for making provision for the exposures to lifetime ECL on contract assets at 31 December 2020.

At 31 December 2020, allowance for lifetime ECL on contract assets amounted to approximately RMB2,230,000 (2019: RMB1,331,000).

The movements in allowance for lifetime ECL on contract assets during the year ended 31 December 2020 are as follows:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**1,331**	1,294
Charge for the year	**899**	37
At 31 December	**2,230**	1,331

(b) Contract liabilities

The contract liabilities primarily relate to the advance considerations received from contract customers for the goods or services to be transferred by the Group.

The movements in contract liabilities are set out below:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**2,186**	3,537
Advance considerations received from customers	**2,269**	1,991
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(585)**	(3,342)
At the end of the year	**3,870**	2,186

(c) The revenue recognised in each of the years ended 31 December 2020 and 2019 did not include any amount, respectively, that was related to performance obligations satisfied in previous periods.

13. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**142,583**	205,352
Bills receivables	**3,792**	3,458
	146,375	208,810
Less: Allowance for lifetime ECL *(Notes (b) and (c))*	**(26,994)**	(15,006)
	119,381	193,804

Notes:

(a) An ageing analysis of the trade and bills receivables (net of allowance for lifetime ECL) as at 31 December 2020, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**18,598**	35,033
1 to 3 months	**12,064**	30,157
3 to 6 months	**14,707**	45,639
6 to 9 months	**5,776**	32,657
9 to 12 months	**3,013**	28,997
1 – 2 years	**59,130**	21,321
Over 2 years	**6,093**	–
	119,381	193,804

Analyses of the trade and bills receivables categorised by past due status, together with allowance for lifetime ECL, at 31 December 2020 and 2019 are set out in Notes 13(b) and (c) below.

The Group grants a credit period ranging from 60 to 365 days to its customers. The Group does not hold any collaterals as security for the trade and bills receivables at 31 December 2020 and 2019. The trade and bills receivables are non-interest bearing, except for the outstanding factored receivables in respect of Customer A of NIL at 31 December 2020 (2019: RMB45,393,000) which were bearing interest at rates same as the prevailing market rates of the related borrowings, as discussed below.

The Group entered into an arrangement with an independent third party customer ("**Customer A**") which is a subsidiary of a blue chip property developer, which was established in the PRC with its shares listed in the Shenzhen Stock Exchange and is a constituent stock of both Shenzhen Stock Index and CSI 300 Index which is the benchmark of the China Stock Market Index. Customer A contributed to 13.56% and NIL of the Group's revenue for the years ended 31 December 2019 and 2020, respectively, and 22.19% and 8.88% of the Group's total of contract assets and trade receivables at 31 December 2019 and 2020, respectively. Customer A provided the Group with commercial bills or letters of credit issued by the banks of Customer A in accordance with the sales contracts made between the Group and Customer A, for the contract performance obligations discharged by the Group and the credit period of up to 365 days from the invoice date is allowed to Customer A. The Group factored these trade receivables in respect of Customer A, with recourse, to a factoring bank which is one of the principal banks of Customer A. Customer A agreed to reimburse the Group, at the expiry date of the factoring agreement, for the difference between the invoiced amounts of factored receivables and the cash proceeds received by the Group from the factoring bank, including all the interests incurred under the relevant factoring agreements entered into by the Group and the factoring bank. For the years ended 31 December 2019 and 2020, the Group earned interest from Customer A amounted to approximately RMB923,000 and RMB796,000, respectively. At 31 December 2019 and 2020, the outstanding factored receivables in respect of Customer A amounted to approximately RMB45,393,000 and NIL respectively. According to the terms of the relevant factoring agreements entered into by the Group and the factoring bank which is one of the principal banks of Customer A, the Group still retains all the risks and rewards associated with the ownership of factored trade receivables in respect of Customer A and accordingly, these factored trade receivables are not derecognised until the factoring bank will have successfully collected the proceeds of factored receivables from Customer A at the expiry of the factoring period which is one year from the factoring date. In substance, the factoring arrangement is a form of borrowings and the proceeds received from factoring receivables are recognised as secured bank borrowings (Note 15) which are secured by the pledge of the trade receivables in respect of Customer A, as further disclosed in Note 15(a) below.

The bases for the measurement of lifetime ECL of trade and bills receivables are set out in Note 13(c) below.

(b) Impairment assessment of trade and bills receivables

Impairment losses in respect of contract assets, trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade and bills receivables. To measure the lifetime ECL on trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as history and patterns of settlements from the customers and forward looking information, such as expected economic conditions after the reporting period end. The Group considered that there has not been a significant change in credit quality of the customers subsequent to the reporting period end.

The Group's customers are mainly large property developers and stated-owned enterprises with high credit rating and good payment history with the Group.

At 31 December 2020, allowance for ECL on trade and bills receivables amounted to approximately RMB26,994,000 (2019: RMB15,006,000), was made for the lifetime ECL of the customers of the Group.

The movements in the allowance for lifetime ECL on trade and bills receivables during the year ended 31 December 2020 are set out below:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**15,006**	9,265
Charge for the year	**14,565**	5,741
Write-off during the year	**(2,577)**	–
At 31 December	**26,994**	15,006

(c) In order to determine the lifetime ECL for the portfolio of contract assets and trade and bills receivables at 31 December 2020 and 2019, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt rates, adjusted for factors specific to the customers such as history and patterns of settlements from the customers and forward looking economic conditions which might have impacts on the financial performance, position and cash flows of the Group's customers and, in consequence, the customers' abilities to settle their trade debts. At the reporting period end, the historical observed bad debt rates and the forward looking estimates are updated.

The matrix analysis of the Group's actual historic bad debt rates on the trade and bills receivables as at 31 December 2014, 2015, 2016, 2017 and 2018, and the expected rates for lifetime ECL on trade and bills receivables at 31 December 2020 and 2019 are as follows:

	Historical bad debt rates on balances at 31 December					Average historical bad debt rates on balances at 31 December		Estimated bad debt rates for lifetime ECL at 31 December	
	2014	2015	2016	2017	2018	2014 to 2017	2014 to 2018	2019	2020
Trade and bills receivables									
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	0.84%	1.23%	1.04%	2.85%
Past due:									
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	2.03%	2.70%	2.97%	11.12%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	3.07%	3.70%	3.41%	13.20%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	3.11%	3.70%	5.63%	15.56%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	3.96%	5.01%	7.40%	17.10%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	4.11%	5.29%	11.43%	19.30%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	16.46%	17.99%	16.41%	59.49%	39.26%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	28.03%	27.53%	100%	56.28%
Trade receivables – Overall	3.60%	6.38%	9.32%	6.12%	7.32%	6.35%	6.55%	7.19%	18.44%

The observed historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016, 2017 and 2018 were 0%, 0%, 0.18%, 1.43% and 1.65%, respectively. The Group applied the lifetime ECL rate of 2.13% and 2.78% on the contract assets at 31 December 2019 and 2020, respectively, for measuring the exposures to lifetime ECL on its contract assets at 31 December 2019 and 2020, taking into account of factors specific to the customers such as history and patterns of billings to and settlements from the customers and forward looking information such as the expected economic conditions which might have impacts on the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts.

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECL of the Group's trade and bills receivables and contract assets at 31 December 2020 and 2019 are reasonable and adequate.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2020 and 2019:

	As at 31 December 2020			
	Lifetime ECL	**Gross carrying amount** *RMB'000*	**Lifetime ECL** *RMB'000*	**Net carrying amount** *RMB'000*
Contract assets *(Note 12)*	**2.78%**	**80,193**	**2,230**	**77,963**
Trade and bills receivables (see below)	**18.44%**	**146,375**	**26,994**	**119,381**
		226,568	**29,224**	**197,344**
Trade and bills receivables:				
Not yet due or current	**2.85%**	**37,977**	**1,082**	**36,895**
Past due				
Within 1 month	**11.12%**	**4,910**	**546**	**4,364**
1 to 3 months	**13.20%**	**7,282**	**961**	**6,321**
3 to 6 months	**15.56%**	**5,432**	**845**	**4,587**
6 to 9 months	**17.10%**	**16,888**	**2,888**	**14,000**
9 to 12 months	**19.30%**	**46,939**	**9,059**	**37,880**
1 to 2 years	**39.26%**	**20,876**	**8,196**	**12,680**
Over 2 years	**56.28%**	**6,071**	**3,417**	**2,654**
	18.44%	**146,375**	**26,994**	**119,381**

		As at 31 December 2019		
	Lifetime ECL	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(Note 12)*	2.13%	62,446	1,331	61,115
Trade and bills receivables (see below)	7.19%	208,810	15,006	193,804
		271,256	16,337	254,919
Trade and bills receivables:				
Not yet due or current	1.04%	123,909	1,294	122,615
Past due				
Within 1 month	2.97%	2,321	69	2,252
1 to 3 months	3.41%	26,967	920	26,047
3 to 6 months	5.63%	20,425	1,150	19,275
6 to 9 months	7.40%	13,212	978	12,234
9 to 12 months	11.43%	9,110	1,041	8,069
1 to 2 years	59.49%	8,176	4,864	3,312
Over 2 years	100%	4,690	4,690	–
	7.19%	208,810	15,006	193,804

14. TRADE AND BILLS PAYABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade payables	**26,656**	37,579
Bills payables	**1,141**	–
	27,797	37,579

An ageing analysis of the trade and bills payables as at 31 December 2020, based on the invoice date, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 1 month	**22,031**	35,467
1 to 3 months	**2,591**	1,518
3 to 6 months	**2,811**	410
Over 6 months	**364**	184
	27,797	37,579

Trade and bills payables are non-interest bearing and have a credit term ranging from one to two months after invoice date.

15. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings was as follows:

	2020	2019
	RMB'000	*RMB'000*
Repayable within 1 year:		
Unsecured bank loans	**30,000**	49,500
Secured bank loans	**41,000**	63,868
	71,000	113,368

At 31 December 2020, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 4.50% to 4.80% (2019: 4.35% to 6.20%) per annum.

No factoring loan was included in the secured bank loans at 31 December 2020 (2019: RMB36,868,000) arising from factoring trade and bills receivables under the factoring arrangement with Customer A as referred to in Note 13(a).

Notes:

(a) At 31 December 2020, bank borrowings totaling approximately RMB41,000,000 (2019: RMB63,868,000) were secured by the following land use rights, leasehold buildings and trade receivables of the Group:

	2020	2019
	RMB'000	*RMB'000*
Land use rights	**8,040**	8,213
Leasehold buildings	**8,005**	8,659
Trade receivables	**–**	45,393
	16,045	62,265

(b) At 31 December 2020, the Group had bank borrowings facilities totaling approximately RMB80,000,000 (2019: RMB85,500,000), which were utilised to the extent of approximately RMB71,000,000 (2019: RMB76,500,000) and the Group's available unused credit facilities amounted to approximately RMB9,000,000 (2019: RMB9,000,000).

16. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each *'000*	Nominal value of ordinary shares *HK$'000*
Authorised capital		
At 1 January 2019	38,000	380
Increase in authorised capital on 19 December 2019	4,962,000	49,620
At 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000	50,000
Issued capital		
At 1 January 2019, 31 December 2019 and 1 January 2020	10	–*
Issuance of new shares under capitalisation issue	749,990	7,500
Issuance of new shares under the Global Offering	250,000	2,500
At 31 December 2020	1,000,000	10,000

The Company was incorporated in the Cayman Islands on 7 July 2017 as an exempted company with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Pursuant to a special resolution passed at the general meeting of the Company on 19 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000, by the creation of 4,962,000,000 new ordinary shares of HK$0.01 each of the Company. The owners of the shares of the Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

At 1 January 2019, the share capital of the Group was RMB88 (equivalent to *HK$101.30) which represented the nominal value of 10,130 ordinary shares of HK$0.01 of the Company.

On 16 January 2020, the Company issued 250,000,000 new shares of par value HK$0.01 each at an offer price of HK$0.53 per offer share under the Global Offering, and 377,619,900, 231,371,875, 131,473,224 and 9,524,871 new shares of par value HK$0.01 each of the Company were issued to Jiachen Investment Limited (wholly-owned by Mr. Shen Min), Xinchen Investment Limited (wholly-owned by Ms. Zhang Yaying), Yilong Investment Limited (wholly-owned by Mr. Shen Minghui) and Crystal Breeze Ventures Limited, respectively, by way of capitalisation of an aggregate amount of RMB6,642,000 (equivalent to HK$7,499,898.70) out of the share premium account of the Company, prior to the Listing on 17 January 2020.

* *rounded to less than HK$1,000.*

17. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and the senior management of the Group, are as follows:

	2020	2019
	RMB'000	*RMB'000*
Directors' fees	**294**	–
Salaries and other emoluments	**1,482**	735
Pension scheme contributions	**88**	140
	1,864	875

The above remuneration to key management personnel of the Group is included in "staff costs" (Note 8).

18. DIVIDEND

No dividend has been paid or declared by the Company during the two years ended 31 December 2019 and 2020.

19. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 11(b), there was no significant event of the Group up to the date of approval of the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

The Group is principally engaged in the manufacturing and sales of access flooring products and provide related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC. The Group's products mainly consist of: (i) steel access flooring products; and (ii) calcium sulfate access flooring products. The access flooring products of the Group have been generally applied in office buildings in the PRC with the characteristics of: (i) cable management (wires and cables are managed and organised underfloor with flexibility to accommodate any electronic devices); (ii) short installation time; (iii) high compressive strength and fire-resistance characteristic; and (iv) high bearing capacity.

Access flooring products have been widely applied for use in office buildings, industrial office buildings, data centres, classrooms, libraries, etc. The usage of raised access flooring products is increasing at a steady rate in the PRC due to the growth in the continuous investments in new office buildings as well as growing construction area of industrial land. This steady growth trend can mainly be attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in China; (ii) an increase in the number of aging office buildings in China with the retirement of more and more obsolete access flooring products units; (iii) increasing more stringent policies adopted by the PRC Government, stimulating an expected increase in the demand for access flooring products; (iv) a growth in price of access flooring products as a result of increasing raw materials prices; and (v) increasing penetration rate of calcium sulfate access flooring products due to its high performance.

As the Group is considered as one of the largest players in the access floor manufacturing industry in the PRC, the Board believes that a top-down management structure is conducive to further market penetration in the industry. While the sales manager is responsible for: (i) formulating sales and marketing strategy and planning upon the approval of the general manager; (ii) managing major on-site promotional activities; (iii) analysing the market environment, target, planning and business activities on a regular basis; (iv) formulating the market price of the Group's products based on the market and industry situation; (v) negotiating and entering into agreement; (vi) allocating resources for annual sales plan; and (vii) understanding customers' needs by visit, the principal duties of the sales representatives are to expand the customer base, track the existing customers' needs, negotiate and enter into contract with them. As for back-up supporting staff, they assist in supervising contract execution, compiling relevant statistics for analysis and handling customers' concerns in a timely fashion. With the concerted efforts of the staff, the Group continues its commitment to quality access flooring products with different sales and marketing strategies, including improving quality products, brand recognition and the responsiveness to customers. In addition, the Group would also enhance its effort in attending trade fairs and exhibitions, which are considered as good platforms for brand promotion and expansion of customer base.

The Group is committed to exhibiting a high level of consciousness on product design, function and quality and accordingly, it has established a research and development team, the members of which have obtained relevant qualification as assistant engineer (助理工程師). With its strong research and development capability, the Group has made the following achievements: (i) better recombination ability of the coating resin in graphene; and (ii) better performance of the graphene coating powder in terms of coating flexibility, resistance and other technical areas. In spite of the widespread outbreak of the COVID-19, the Group spent approximately RMB7.0 million in research and development for the year ended 31 December 2020 as compared to that of approximately RMB9.9 million for the year ended 31 December 2019.

The Group's presence in the access flooring manufacturing industry is established in the PRC. The Group has been awarded ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Assessment) certificates. With the commitment to quality control, the Group's market recognition and service quality are further underpinned. The Group has also been awarded the "Well-known Trademark of Changzhou City" (常州市知名商標證書) by the Recognition Committee of Well-known Trademark of Changzhou City (常州市知名商標認定委員會) in 2011, "Jiangsu Famous Brand Certificate" (江蘇名牌產品證書) by the Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會) in 2017, the accreditation of AAA Credit Enterprise (企業信用等級證書AAA綜合信譽信用等級) by Jiangsu Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司江蘇分公司) for the period from 2016 to 2018, the accreditation of AA Quality Credit Rating (江蘇省質量信用等級) by the Market Supervision Bureau of Jiangsu Province (江蘇省市場監督管理局) in 2019 and the "Changzhou High-tech Product Certification" (常州市高新技術產品認定證書) by the Science and Technology Bureau of Changzhou City (常州市科學技術局) in 2020.

The Board believes that business success would be attributable to an experienced and stable management team. Mr. Shen Min ("**Mr. Shen**"), an executive Director, who established the Group in 2009 and together with Mr. Chen Shiping ("**Mr. Chen**"), an executive Director and general manager, have possessed in-depth knowledge of the Group's business operation. In 2011, Mr. Shen was awarded the "Outstanding Entrepreneur of Jiangsu Province" (江蘇省優秀企業家) by the Jiangsu Famous Brand Promotion Association (江蘇名牌事業促進會) and the Quality Supervision Committee of Jiangsu Province (江蘇省質量監督委員會). From 2015 to 2016, Mr. Chen made his presence as a drafter in a group of 11 for the drafting of the "General specification for raised access floor for electrostatic protection" (防靜電活動地板通用規範), a specification of the National Standard of the PRC promulgated by the State Administration for Market Regulation and Standardization Administration of the PRC in June 2018, which has become effective in January 2019. The Board is therefore of the view that the Group encompasses a diverse portfolio of high calibre staff members.

BUSINESS STRATEGIES AND IMPLEMENTATION PLAN

An analysis comparing the business strategies set out in the prospectus of the Company dated 31 December 2019 (the "**Prospectus**") with the Group's actual implementation progress during the year ended 31 December 2020 is as follows:

Business Strategies	Planned use of proceeds *(HK$'M)*	Actual use of proceeds *(HK$'M)*	Unutilised amount as at 31 December 2020 *(HK$'M)*	Expected timeframe for the utilisation of the remaining balance
1. Increase the production capacity and efficiency				
– acquisition of a parcel of land in Changzhou City	20.9	20.9	–	N/A
– construction of infrastructure including two new factory buildings for production and storage	21.9	–	21.9	On or before the end of December 2021
– installation of five additional production lines	26.9	18.5	8.4	On or before the end of December 2021
– installation of environmental-friendly and energy-saving facilities and equipment	2.2	–	2.2	On or before the end of December 2021
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.1	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.0	–	N/A
4. Enhancement and optimization of the information technology system	2.3	–	2.3	On or before the end of December 2021
5. Working capital and general corporate purposes	1.5	1.5	–	N/A
Total	85.8	51.0	34.8	

SALES PERFORMANCE

The Group recorded a consolidated revenue of approximately RMB182.2 million for the year ended 31 December 2020, representing a decrease of approximately RMB88.7 million or 32.7% as compared to the year ended 31 December in 2019. The decrease in revenue was primarily driven by the decrease in sales revenue generated from sales of steel access flooring products.

Details of the Group's revenue by products are as follows:

	For the year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**146,973**	**80.7**	221,946	81.9
Calcium sulfate access flooring products	**35,205**	**19.3**	48,913	18.1
Total	**182,178**	**100.0**	270,859	100.0

For the year ended 31 December 2020, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 80.7% of the total revenue. Revenue derived from sales of steel access flooring products decreased by approximately 33.8% from approximately RMB221.9 million for the year ended 31 December 2019 to approximately RMB147.0 million for the year ended 31 December 2020. This was mainly attributable to the substantial reduction in the revenue of the Group resulting from the unstable economic environment which was driven by the implementation of prevention and control measures including regional traffic control, as well as delayed resumption of both work and factory production, etc by the Central Government of the PRC, so as to combat the spread of COVID-19 pandemic in the year ended 31 December 2020.

Revenue derived from sales of calcium sulfate access flooring products decreased by approximately 28.0% from approximately RMB48.9 million for the year ended 31 December 2019 to approximately RMB35.2 million for the year ended 31 December 2020. This was mainly attributable to the decrease in sales volume resulting from the outbreak of COVID-19.

Details of the sales volume and average unit selling price by products are as follows:

	For the year ended 31 December			
	2020		2019	
	Sales volume	**Average unit selling price**	Sales volume	Average unit selling price
	million m^2	***RMB/m^2***	*million m^2*	*RMB/m^2*
Steel access flooring products	**1.18**	**124.6**	1.78	124.8
Calcium sulfate access flooring products	**0.21**	**167.6**	0.29	167.2
Total	**1.39**		2.07	

Fluctuations in the sales volume of the Group's access flooring products were mainly due to different product mix in demand by the customers, which is mainly subject to the market demand and the needs of the relevant customers. Nevertheless, the progress of the project completion was seriously affected by the outbreak of the COVID-19 which in turn decreased the sales volume during the year ended 31 December 2020.

Generally, it is considered that both product specifications and technical requirements are the major factors affecting the product price. Based on the market needs, the Group usually adopts a cost-plus pricing policy that takes various factors into consideration, such as the production cost, price of raw materials, suppliers of installation services, purchase volume of the customers, background of the customers and competition.

Details of the Group's sales revenue by geographical location are as follows:

	For the year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
PRC	**157,011**	**86.2**	249,963	92.3
Overseas	**25,167**	**13.8**	20,896	7.7
Total	**182,178**	**100.0**	270,859	100.0

For both of the years ended 31 December 2020 and 2019, the Group's products were mainly sold in the PRC and to a lesser extent exported to overseas markets such as Thailand, Malaysia, Taiwan, Hong Kong and Singapore.

Details of the gross profit and gross profit margin by products are as follows:

	For the year ended 31 December			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**28,814**	**19.6**	56,120	25.3
Calcium sulfate access flooring products	**8,942**	**25.4**	12,197	24.9
Total	**37,756**	**20.7**	68,317	25.2

The gross profit from steel access flooring products accounted for majority of the gross profit of the Group for both of the years ended 31 December 2020 and 2019. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The reduction in gross profit margin of steel access flooring products for the year ended 31 December 2020 by about 6 percentage points over that of 2019, which was attributable to the increase in prices of raw materials particularly galvanised and un-galvanised steel and the relative increase in the fixed cost of production per unit resulting from the decrease in sales volume. On the other hand, the increase in gross profit margin of calcium sulfate access flooring products for the year ended 31 December 2020 compared to that of 2019 was mainly due to the decrease in costs of raw materials.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses increased by approximately RMB0.6 million, representing a 10.9% increase to approximately RMB5.6 million for the year ended 31 December 2020 from approximately RMB5.0 million for the year ended 31 December 2019. The increase was mainly attributed to the increase in both service fee and salaries, wages and other benefits.

Administrative expenses decreased by approximately RMB5.9 million, representing a 20.7% decrease to approximately RMB22.5 million for the year ended 31 December 2020 from approximately RMB28.4 million for the year ended 31 December 2019. The reduction was mainly attributed to the decrease in listing expenses and research and development costs.

Finance costs decreased by approximately RMB2.0 million to approximately RMB5.1 million for the year ended 31 December 2020 from approximately RMB7.1 million for the year ended 31 December 2019. The decrease was mainly due to repayment of bank borrowings during the year ended 31 December 2020.

OPERATING RESULTS

Profit before taxation has reduced by 92.6% from approximately RMB23.7 million for the year ended 31 December 2019 to approximately RMB1.8 million for the year ended 31 December 2020. This was primarily due to: (i) the substantial reduction in the revenue of the Group resulting from the unstable economic environment which was driven by the implementation of prevention and control measures including regional traffic control, as well as delayed resumption of both work and factory production, etc by the Central Government of the PRC, so as to combat the spread of COVID-19 pandemic in the year ended 31 December 2020; (ii) the reduction in gross profit margin of steel access flooring products for the year ended 31 December 2020 by about 6 percentage points over that of 2019 due to the surge in the purchase price of the key raw materials (galvanised and un-galvanised steel) since April 2020 resulting from the supply chain crisis caused by shut-down of steel makers in the PRC, and the increase in the prices of commodities/iron ores in the PRC and overseas, both of which were beyond the control of the management of the Group, and the relative increase in the fixed cost of production per unit resulting from the decrease in sales volume; and (iii) the substantial increase in the impairment of contract assets and trade receivables by over 150% than that of approximately RMB5.8 million provided for the year ended 31 December 2019, which was determined based on the historic credit loss experiences as adjusted for forward looking estimates.

Management of the Group has been closely monitoring the progress of settlements by its customers. Estimates for the lifetime expected credit losses on the contract assets and trade and bills receivables have been made based on the historic bad debt loss rates on their respective ageing bands at 31 December 2014–2019, history and patterns of settlements from the customers, current conditions as adjusted for forward looking information such as the economic conditions.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2020:

	As at 31 December 2020				
	Lifetime ECL	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*	Subsequent settlements received* *RMB'000*
Contract assets	**2.78%**	**80,193**	**2,230**	**77,963**	**28,429**
Trade and bills receivables (see below)	**18.44%**	**146,375**	**26,994**	**119,381**	**48,511**
		226,568	**29,224**	**197,344**	**76,940**
Trade and bills receivables:					
Not yet due or current	**2.85%**	**37,977**	**1,082**	**36,895**	**19,416**
Past due					
Within 1 month	**11.12%**	**4,910**	**546**	**4,364**	**2,244**
1 to 3 months	**13.20%**	**7,282**	**961**	**6,321**	**4,417**
3 to 6 months	**15.56%**	**5,432**	**845**	**4,587**	**2,707**
6 to 9 months	**17.10%**	**16,888**	**2,888**	**14,000**	**4,533**
9 to 12 months	**19.30%**	**46,939**	**9,059**	**37,880**	**9,512**
1 to 2 years	**39.26%**	**20,876**	**8,196**	**12,680**	**4,008**
Over 2 years	**56.28%**	**6,071**	**3,417**	**2,654**	**1,674**
	18.44%	**146,375**	**26,994**	**119,381**	**48,511**

* *Settlements received up to 19 March 2021.*

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of the Stock Exchange in January 2020. There has been no changes in the capital structure of the Group since then. The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and the net proceeds from the Global Offering. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group held total assets of approximately RMB395.8 million (31 December 2019: approximately RMB359.5 million), including cash and cash equivalents of approximately RMB52.6 million (31 December 2019: approximately RMB16.4 million). The Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars and United States dollars.

As at 31 December 2020, the Group had total liabilities of approximately RMB124.1 million (31 December 2019: approximately RMB189.8 million) which mainly comprise of bank borrowings amounting to approximately RMB71.0 million (31 December 2019: approximately RMB113.4 million). The Group's bank borrowings were denominated in RMB and bore interest at the rates ranging from 4.50% to 4.80% (2019: 4.35% to 6.20%).

As at 31 December 2020, the debt-to-equity ratio, expressed as a percentage of total loans and borrowings and lease liabilities net of cash and cash equivalents and restricted bank deposits over total equity, was about 5.7% (31 December 2019: approximately 56.8%). This significant decrease was mainly resulted from the decrease in bank borrowings for the year ended 31 December 2020.

The gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 26.8% and 68.5% as at 31 December 2020 and 2019 respectively.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (31 December 2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group's capital commitment contracted but not provided for in respect of property, plant and equipment amounted to approximately RMB15.6 million (31 December 2019: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. The Group, therefore, does not have significant exposure to foreign exchange fluctuation.

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the year ended 31 December 2020. However, the Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent including establishment of a hedging policy.

CHARGES ON GROUP ASSETS

As at 31 December 2020, the Group had the following charges on its assets:

(a) Bank borrowings totaling approximately RMB41.0 million (31 December 2019: approximately RMB63.9 million) were secured by the following assets:

(i) land use rights with a carrying value of approximately RMB8.0 million as at 31 December 2020 (31 December 2019: approximately RMB8.2 million);

(ii) leasehold buildings with a carrying value of approximately RMB8.0 million as at 31 December 2020 (31 December 2019: approximately RMB8.7 million);

(iii) No trade receivable was pledged as at 31 December 2020 (31 December 2019: approximately RMB45.4 million);

(b) Restricted bank deposit of approximately RMB4.6 million (31 December 2019: approximately RMB3.5 million) was pledged as security for issuing commercial bills to suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 184 employees (31 December 2019: 218). The total staff costs including directors' remuneration for the year were approximately RMB13.8 million (2019: approximately RMB13.8 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: NIL).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during the year ended 31 December 2020.

The Group did not have other plans for significant investments held, acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group as at 31 December 2020.

CAPITAL EXPENDITURE

For the year ended 31 December 2020, the Group spent approximately RMB6.4 million (2019: approximately RMB2.9 million) on capital expenditure, which was primarily related to the acquisition of plant and machinery.

PROSPECTS

Whilst the PRC government struggled to contain the coronavirus pandemic, it is believed that the PRC is one of the few countries in the world to have experienced an economic growth with its gross domestic product increased by 2.3% in 2020. Given the resilience and potential of the PRC's economy in the long run, it is considered that stable growth would remain unchanged. The Group would therefore closely monitor the latest development of the epidemic disease resulting from the spread of COVID-19 and its impact on the industry at large, and would adjust its strategies from time to time when required.

Although the Group is facing unprecedented challenges and uncertainties ahead, the Board is generally optimistic about the medium and long-term prospect of the access flooring products industry and the Group's business operations. The Board foresees that such challenges and uncertainties are expected to continue to affect the Group's performance at least in the first half of 2021 until the spread of the COVID-19 pandemic slows down with more vaccines becoming available for the provision of acquired immunity against the pandemic disease so as to allow for a gradual economic recovery for both the domestic and global markets. To this end, the Group would strive to return to the recovery path by focusing its resources to enhance product recognition by improving production technology and upgrading the production line in order to maintain effective cost control and strengthen its competitiveness.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establishing good corporate governance and adopt sound corporate governance practices. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders' interests.

Throughout the financial year ended 31 December 2020, the Company has complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the relevant provisions of the Model Code during the year ended 31 December 2020.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. Ma Ving Lung, as the chairman, Ms. Shi Dongying and Mr. Yu Chun Kau as the members. The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls. The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2020.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by the Company's auditor, Crowe (HK) CPA Limited, 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 Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be published on the respective websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

By Order of the Board
JiaChen Holding Group Limited
SHEN Min
Executive Director and Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the executive Directors are Mr. SHEN Min (Chairman), Mr. SHEN Minghui, Mr. CHEN Shiping (Chief Executive Officer) and Ms. LIU Hui; and the independent non-executive Directors are Mr. MA Ving Lung, Ms. SHI Dongying and Mr. YU Chun Kau.

This announcement is available for viewing on the Company's website at www.jiachencn.com.cn and the website of the Stock Exchange at www.hkexnews.hk.