佳辰
Jiachen

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 2019

RESULTS

The Board presents the unaudited 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 2019 (the "**2019 Financial Results**"), together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	4	**270,859**	248,785
Cost of sales		**(202,542)**	(188,619)
Gross profit		**68,317**	60,166
Other revenue and other net income	5	**1,951**	876
Selling and distribution expenses		**(5,031)**	(5,217)
Impairment of contract assets and trade receivables	8	**(5,778)**	(2,722)
Impairment of other receivables	8	**(323)**	–
Administrative expenses		**(28,358)**	(18,306)
Profit from operations		**30,778**	34,797
Finance costs	7	**(7,098)**	(4,814)
Profit before taxation	8	**23,680**	29,983
Income tax	9	**(4,389)**	(5,132)
Profit and total comprehensive income for the year		**19,291**	24,851
Attributable to:			
Owners of the Company		**19,100**	24,605
Non-controlling interests		**191**	246
Profit and total comprehensive income for the year		**19,291**	24,851
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted earnings per share	10	**2.55**	3.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**28,061**	29,877
Land use rights	11	**8,040**	8,213
Right-of-use assets		**1,234**	1,904
Other intangible assets		**142**	190
Deferred tax assets		**2,739**	3,121
		40,216	43,305
Current assets			
Inventories		**29,585**	31,006
Contract assets	12	**61,115**	89,263
Trade and bills receivables	13	**193,804**	123,181
Deposits, prepayments and other receivables		**14,877**	14,596
Restricted bank deposits		**3,470**	2,335
Cash and cash equivalents		**16,414**	16,155
		319,265	276,536
Total assets		**359,481**	319,841
Current liabilities			
Trade and bills payables	14	**37,579**	47,908
Contract liabilities	12	**2,186**	3,537
Accruals and other payables		**31,936**	30,455
Amounts due to shareholders and directors		**–**	852
Lease liabilities		**827**	713
Bank borrowings	15	**113,368**	78,284
Tax payable		**1,817**	4,860
		187,713	166,609
Net current assets		**131,552**	109,927
Total assets less current liabilities		**171,768**	153,232
Non-current liabilities			
Lease liabilities		**2,063**	2,818
Net assets		**169,705**	150,414

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity		
Share capital	**–**	–
Reserves	**168,025**	148,925
Equity attributable to owners of the Company	**168,025**	148,925
Non-controlling interests	**1,680**	1,489
Total equity	**169,705**	150,414

NOTES:

1. CORPORATE INFORMATION

JiaChen Holding Group Limited was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 17 January 2020. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business and head office in China 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 provide related installation services. During the year, 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

The 2019 Financial Results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. The 2019 Financial Results also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued several amendments to HKFRSs that are first effective 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 the 2019 Financial Results.

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period.

(b) Basis of preparation of the 2019 Financial Results

The 2019 Financial Results comprise the financial results 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. The 2019 Financial Results 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 2019 Financial Results is the historical cost basis.

* The English translation of the company names is for reference only. The official names of these entities in Chinese.

The preparation of the 2019 Financial Results 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 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 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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Cycle Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the new and amendments to HKFRSs and the interpretation in the current year have had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the 2019 Financial Results. The Group has early adopted and consistently applied HKFRS 16 in the 2019 Financial Results since 1 January 2014.

3. POSSIBLE IMPACT OF AMENDMENTS AND A NEW STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of the 2019 Financial Results, 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 2019 and which have not been adopted in the 2019 Financial Results. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is 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 2019 Financial Results.

4. REVENUE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	**257,753**	238,202
– Provision of installation services	**13,106**	10,583
	270,859	248,785
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	**216,814**	186,510
– Supply of access floor plates	**52,634**	62,239
– Provision of installation services	**1,411**	36
	270,859	248,785

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognised over time:		
– Sales of access flooring plates	**205,119**	175,963
– Provision of installation services	**13,106**	10,583
	218,225	186,546
Revenue recognised at a point in time:		
– Sales of access flooring plates	**52,634**	62,239
	270,859	248,785

5. OTHER REVENUE AND OTHER NET INCOME

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other revenue:		
Bank interest income	**115**	104
Other interest income	**923**	–
	1,038	104
Other net income or loss:		
Government subsidies *(Note below)*	**59**	238
Scrap sales	**846**	559
Net loss on disposal of property, plant and equipment	**(15)**	(37)
Exchange gain/(loss), net	**17**	(112)
Sundry income	**6**	124
	913	772
	1,951	876

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 liability

For the purpose of assessing segment performance and allocation 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 other payables and bank and other borrowings attributable to each reporting segment, with the exception of uncollected corporate liabilities.

– Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expense 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 segment 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 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 for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2019 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment revenue from external customers	**221,946**	204,319	**48,913**	44,466	**270,859**	248,785
Reportable segment gross profit	**56,120**	48,387	**12,197**	11,779	**68,317**	60,166
Reportable segment profit	**34,825**	31,438	**7,465**	8,142	**42,290**	39,580
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	**49**	197	**10**	41	**59**	238
– Scrap sales	**846**	559	**–**	–	**846**	559
– Net loss on disposal of property, plant and equipment	**(15)**	(37)	**–**	–	**(15)**	(37)
– Exchange gain/(loss), net	**14**	(104)	**3**	(8)	**17**	(112)
– Sundry income	**6**	120	**–**	4	**6**	124
Depreciation and amortisation	**3,703**	3,402	**1,595**	1,529	**5,298**	4,931
Impairment of trade receivables	**4,704**	2,001	**1,037**	435	**5,741**	2,436
Impairment of contract assets	**30**	235	**7**	51	**37**	286
Impairment of other receivables	**323**	–	**–**	–	**323**	–
Reportable segment assets	**287,460**	232,710	**48,138**	60,884	**335,598**	293,594
Additions to non-current segment assets during the year	**608**	1,182	**2,404**	582	**3,012**	1,764
Reportable segment liabilities	**164,475**	142,900	**12,676**	17,733	**177,151**	160,633

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Reportable segment total revenue and consolidated revenue	**270,859**	248,785
Profit or loss		
Reportable segment results	**42,290**	39,580
Unallocated other revenue	**1,038**	104
Unallocated head office and corporate expenses	**(12,550)**	(4,887)
Unallocated finance costs	**(7,098)**	(4,814)
Consolidated profit before taxation	**23,680**	29,983

(c) Reconciliations of reportable assets and liabilities

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**335,598**	293,594
Unallocated head office and corporate assets	**23,883**	26,247
Consolidated total assets	**359,481**	319,841
Liabilities		
Reportable segment liabilities	**177,151**	160,633
Unallocated head office and corporate liabilities	**12,625**	8,794
Consolidated total liabilities	**189,776**	169,427

(d) Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Steel access flooring plates:		
Customer A	**36,738**	N/A

N/A – not applicable

(e) Geographical information

The Group's operations are located in the PRC. All non-current assets of the Group are 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.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC	**249,963**	226,046
Hong Kong	**3,513**	1,867
Other countries	**17,383**	20,872
	270,859	248,785

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank borrowings	**6,647**	3,073
Interest on other borrowings	**–**	468
Implicit interest on loans from related parties and amounts due to shareholders and directors	**–**	216
Loss on derecognition of financial assets upon factoring without recourse	**319**	899
Unwinding of finance costs on lease liabilities	**132**	158
	7,098	4,814

8. PROFIT BEFORE TAXATION

Profit before taxation is stated at after charging:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract costs of goods sold and services rendered *(Note (a))*	**202,542**	188,619
Depreciation of property, plant and equipment	**4,667**	4,343
Amortisation of right-of-use assets	**819**	812
Amortisation of other intangible assets	**48**	48
Amortisation of land use rights	**173**	173
Impairment of trade receivables *(Note 13(b))*	**5,741**	2,436
Impairment of contract assets *(Note 12(a)(vi))*	**37**	286
	5,778	2,722
Impairment of other receivables	**323**	–
Net loss on disposal of property, plant and equipment	**15**	37
Auditor's remuneration	**704**	–
Listing expenses:		
– Auditor	**1,199**	1,792
– Other professional fees	**10,259**	2,293
Operating lease charges in respect of properties and land use rights	**325**	200
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**10,844**	10,913
– Contributions to defined contribution retirement plans	**3,004**	3,247
Research and development costs *(Note (b))*	**9,911**	8,282

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 RMB153,997,000 (2018: RMB146,789,000), staff costs of approximately RMB6,658,000 (2018: RMB6,609,000), installation costs of approximately RMB11,511,000 (2018: RMB9,463,000), transportation costs of approximately RMB13,682,000 (2018: RMB12,278,000), depreciation of property, plant and equipment of approximately RMB3,856,000 (2018: RMB3,699,000) and amortisation of right-of-use assets of approximately RMB647,000 (2018: 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 RMB7,779,000 (2018: RMB5,950,000), staff costs of approximately RMB1,287,000 (2018: RMB1,553,000) and depreciation of property, plant and equipment of approximately RMB213,000 (2018: RMB247,000), of which, their respective total amounts were disclosed above for each type of these expenses.

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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 since its incorporation during the years ended 31 December 2019 and 2018.

Jinyueda Development Limited and Victor Best Investment Limited, which were incorporated in Hong Kong in 2017, 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 since their respective dates of incorporation during the years ended 31 December 2019 and 2018.

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 since their respective dates of incorporation during the years ended 31 December 2019 and 2018.

Pursuant to the PRC Income Tax Law and the respective regulations, 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% (2018: 25%) for year ended 31 December 2019. Changzhou Jintai and 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 2019 and 2018, 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 year ended 31 December 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. During the year ended 31 December 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.

(a) Income tax in the consolidated statement of profit or loss represents

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax – PRC Corporation Income Tax ("**CIT**")		
– Charge for the year	**4,007**	6,788
Deferred tax		
– Origination and reversal of temporary differences	**382**	(1,656)
	4,389	5,132

(b) Reconciliation between actual income tax expense and profit before taxation at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit before taxation	**23,680**	29,983
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	**5,981**	7,495
Effect of preferential income tax policy in the PRC	**(2,439)**	–
Tax effect of non-deductible expenses	**1,575**	851
Tax effect for additional deduction on qualifying research and development expenses	**(1,110)**	(1,558)
Effect on deferred tax balances resulting from a change in tax rate for 2019 and 2018	**(866)**	(976)
Tax effect of temporary differences recognised	**1,248**	(680)
Income tax expense for the year	**4,389**	5,132

10. EARNINGS PER SHARE

As of 31 December 2019, the Company had 10,130 ordinary shares in issue. As disclosed in Note 17 below, on 17 January 2020, the Company completed the initial listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including these 10,130 ordinary shares in issue, 250,000,000 new shares issued by way of global offering and 749,989,870 new 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 years ended 31 December 2019 and 2018 is based on the following data:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**19,100**	24,605
	'000	*'000*
Number of shares		
Number of shares for the purpose of basic earnings per share	**750,000**	750,000

Basic earnings per share for the year ended 31 December 2019 amounted to RMB2.55 cents (2018: RMB3.28 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 and assuming the reorganisation in preparation for the listing of the shares of the Company on the Stock Exchange had been effective on 1 January 2015.

Diluted earnings per share is same as the basic earnings per share as the Company had no dilutive potential ordinary shares outstanding during both years.

11. LAND USE RIGHTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Beginning of the year	**8,386**	8,559
Amortisation	**(173)**	(173)
End of the year	**8,213**	8,386
Analysed for reporting purpose as:		
Current assets	**173**	173
Non-current assets	**8,040**	8,213
	8,213	8,386

Notes:

(a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 48 years at 31 December 2019 (2018: 49 years).

(b) As at 31 December 2019, the carrying amount of land use right of approximately RMB8,213,000 (2018: 8,386,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 15.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reported on the consolidated statement of financial position:		
Under current assets		
Contract assets *(Note (a))*	**62,446**	90,557
Less: Allowance for expected credit losses *(Note (a)(vi))*	**(1,331)**	(1,294)
	61,115	89,263
Under current liabilities		
Contract liabilities *(Note (b))*	**2,186**	3,537

Notes:

(a) Contract assets

Contract assets, before deduction for allowance for expected credit losses, comprise the following components:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Rights to consideration for obligations performed on contracts in progress	**44,218**	69,317
Retention monies receivable on completed contracts	**18,228**	21,240
	62,446	90,557

(i) As at 31 December 2019, the contract assets represents 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 check 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.

For the contract assets at 31 December 2019, there were no material disputes received from the Group's customers.

(ii) Movements of the contract assets, before allowance for expected credit losses, during the year ended 31 December 2019 are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Beginning of the year	**90,557**	70,202
Entitlement to considerations for contract performance obligations discharged for the year, comprising:		
– Revenue recognised (exclusive of value-added-tax) *(Note 4)*	**270,859**	248,785
– Value-added-tax on revenue recognised *(see Note below)*	**34,189**	33,556
	305,048	282,341
Transferred to trade receivables when rights to payments became unconditional	**(329,817)**	(256,316)
Transferred to and offset by contract liabilities	**(3,342)**	(5,670)
End of the year	**62,446**	90,557

Note:

During the year ended 31 December 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:

– 11% – 17% for the period prior to May 2018;
– 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 expected credit losses, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**15,804**	17,525
1 to 3 months	**10,569**	11,668
3 to 6 months	**9,297**	10,242
6 to 9 months	**12,681**	15,391
9 to 12 months	**3,185**	1,978
1–2 years	**10,796**	32,107
Over 2 years	**114**	1,646
	62,446	90,557

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.

The Group's actual historic bad debt rates of contract assets as at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, 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 2019, included in contract assets were retention monies receivable from the customers amounting to approximately RMB18,228,000 (2018: approximately RMB21,240,000). 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 expected credit losses, is as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Within 1 month	**934**	1,815
1 to 3 months	**1,434**	1,035
3 to 6 months	**626**	801
6 to 9 months	**4,594**	3,557
9 to 12 months	**767**	1,437
1–2 years	**9,781**	12,595
Over 2 years	**92**	–
	18,228	21,240

There were no significant costs incurred in the past for those access flooring plates and/or installation services after sales during the product assurance type warranty period and at 31 December 2019. 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 expected credit losses, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**8,612**	13,905
Between 1 and 2 years	**9,616**	7,335
	18,228	21,240

(vi) Impairment assessment of the contract assets

Contract assets have substantially the same 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 are no material disputes or claims received from 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 expected loss rates for trade receivables are a reasonable approximation of the rates for expected credit loss 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 expected credit losses) are still considered fully recoverable at 31 December 2019. The Group does not hold any collateral as security for the contract assets at 31 December 2019.

The historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, respectively. At 31 December 2019, management of the Group estimated the expected credit losses on contract assets based on the trend of the historic bad debt rates of contract assets, taking into account of the history of billings to and settlements from the customers and forward looking information, such as the economic and market 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 rate of 2.13% (2018: 1.43%) was applied by management of the Group for making provision for the exposures to expected credit losses on contract assets at 31 December 2019.

At 31 December 2019, allowance for expected credit losses on contract assets amounted to approximately RMB1,331,000 (2018: RMB1,294,000).

The movements in allowance for expected credit losses on contract assets during the year ended 31 December 2019 are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**1,294**	1,008
Charge for the year	**37**	286
At 31 December	**1,331**	1,294

(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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the year	**3,537**	7,415
Advance considerations received from customers	**1,991**	1,792
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(3,342)**	(5,670)
At the end of the year	**2,186**	3,537

(c) Information about unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to the supply and installation of floor plates that are unsatisfied (or partially unsatisfied) as at 31 December 2019.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Remaining performance obligations for the supply and/or installation of access flooring plates expected to be satisfied during the following periods:		
Expected to be recognised within one year	**88,564**	71,410
Expected to be recognised over one year	**3,438**	25,714
	92,002	97,124

(d) The revenue recognised in each of the years ended 31 December 2019 and 2018 did not include any amount, that was related to performance obligations satisfied in previous periods.

13. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**205,352**	132,146
Bills receivables	**3,458**	300
	208,810	132,446
Less: Allowance for expected credit losses *(Notes (b) and (c))*	**(15,006)**	(9,265)
	193,804	123,181

Notes:

(a) An ageing analysis of the trade and bills receivables (net of allowance for expected credit losses) as at 31 December 2019, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**35,033**	29,335
1 to 3 months	**30,157**	28,281
3 to 6 months	**45,639**	16,097
6 to 9 months	**32,657**	26,262
9 to 12 months	**28,997**	4,368
1–2 years	**21,321**	17,072
Over 2 years	**–**	1,766
	193,804	123,181

Analyses of the trade and bills receivables categorised by past due status, together with allowance for expected credit losses, at 31 December 2019 and 2018 are set out in Notes 13(b) and 13(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 2019 and 2018. The trade and bills receivables are non-interest bearing.

In 2018, 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 5.20% and 13.56% of the Group's revenue for the years ended 31 December 2018 and 2019, and 9.73%, and 22.19% of the Group's total of contract assets and trade receivables at 31 December 2018 and 2019, respectively. Customer A provided commercial bills or letters of credit issued by the banks of Customer A to the Group 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 2018 and 2019, the Group earned interest from Customer A amounted to NIL and approximately RMB923,000, respectively. At 31 December 2018 and 2019, the outstanding factored receivables in respect of Customer A amounted to approximately RMB3,567,000 and RMB45,393,000 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, in accordance with HKFRS 9, 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 expected credit losses 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 provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade and bills receivables. To measure the expected losses on trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing, evaluated their recoverability by reference to their payment history records with the Group and a provision matrix adjusted for forward looking information such as the actual and expected subsequent settlements from the customers, expected economic and market conditions after the year ended 31 December 2019. The Group considered that there has not been a significant change in credit quality of the customers subsequent to 31 December 2019.

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 2019, allowance for expected credit losses on trade and bills receivables amounted to approximately RMB15,006,000 (2018: RMB9,265,000), was made for the lifetime expected loss of certain customers.

The movements in the allowance for expected credit losses on trade and bills receivables during the year ended 31 December 2019 are set out below:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
At 1 January	**9,265**	6,829
Charge for the year	**5,741**	2,436
At 31 December	**15,006**	9,265

(c) In order to determine the expected credit losses ("**ECL**") for the portfolio of contract assets and trade receivables at 31 December 2019 and 2018, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt rates, adjusted for history of settlements from the customers and forward looking economic and market 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 receivables as at 31 December 2014, 2015, 2016 and 2017, and the expected rates for lifetime ECL on trade receivables at 31 December 2019 and 2018 is as follows:

	Historical bad debt rates at 31 December				Average historical bad debt rates at 31 December		Estimated bad debt rates for lifetime ECL at 31 December	
	2014	**2015**	**2016**	**2017**	**2014 to 2016**	**2014 to 2017**	**2018**	**2019**
Trade receivables								
Not yet due or current	0.83%	1.12%	0.22%	1.20%	0.72%	0.84%	1.16%	1.04%
Past due:								
Within 1 month	0.00%	1.27%	3.83%	3.02%	1.70%	2.03%	3.16%	2.97%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	2.72%	3.07%	3.87%	3.41%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	2.92%	3.11%	5.54%	5.63%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	2.60%	3.96%	5.68%	7.40%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	2.94%	4.11%	10.69%	11.43%
1–2 years	25.62%	1.80%	4.79%	33.36%	10.74%	17.99%	40.29%	59.49%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.05%	28.03%	72.04%	100%
Credit impaired	N/A	100%	100%	100%	100%	100%	100%	100%
Trade receivables – Overall	3.60%	6.38%	9.32%	6.12%	6.43%	6.35%	7.00%	7.19%

The observed historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, respectively. The Group applied the rate of 1.43% and 2.13% on the contract assets at 31 December 2018 and 2019, respectively, for measuring the exposures to expected credit losses on its contract assets at 31 December 2018 and 2019, taking into account of history of billings to and settlements from the customers and forward looking information such as the economic and market 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.

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 receivables and contract assets at 31 December 2019 and 2018 are reasonable and adequate.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade receivables as at 31 December 2019 and 2018:

	As at 31 December 2019				
	Average historic bad debt rate for 2014 to 2018	**Lifetime ECL**	**Gross carrying amount** *RMB'000* **(Unaudited)**	**Lifetime ECL** *RMB'000* **(Unaudited)**	**Net carrying amount** *RMB'000* **(Unaudited)**
Contract assets *(Note 12)*	**0.59%**	**2.13%**	**62,446**	**1,331**	**61,115**
Trade and bills receivables	**6.49%**	**7.19%**	**208,810**	**15,006**	**193,804**
			271,256	**16,337**	**254,919**
Collective assessment:					
Net yet due or current	**0.78%**	**1.41%**	**186,355**	**2,625**	**183,730**
Past due					
Within 1 month	**2.26%**	**2.97%**	**2,321**	**69**	**2,252**
1 to 3 months	**3.23%**	**3.41%**	**26,967**	**920**	**26,047**
3 to 6 months	**3.57%**	**5.63%**	**20,425**	**1,150**	**19,275**
6 to 9 months	**4.29%**	**7.40%**	**13,212**	**978**	**12,234**
9 to 12 months	**5.42%**	**11.43%**	**9,110**	**1,041**	**8,069**
1 to 2 years	**21.17%**	**59.49%**	**8,176**	**4,864**	**3,312**
Over 2 years	**36.83%**	**100%**	**2,113**	**2,113**	**–**
Specific assessment:					
Credit impaired	**100%**	**100%**	**2,577**	**2,577**	**–**
			271,256	**16,337**	**254,919**

	As at 31 December 2018				
	Average historic bad debt rate for 2014 to 2017	Lifetime ECL	Gross carrying amount *RMB'000* (Audited)	Lifetime ECL *RMB'000* (Audited)	Net carrying amount *RMB'000* (Audited)
Contract assets *(Note 12)*	0.40%	1.43%	90,557	1,294	89,263
Trade and bills receivables	6.35%	7.00%	132,446	9,265	123,181
			223,003	10,559	212,444
Collective assessment:					
Net yet due or current	0.62%	1.31%	160,600	2,104	158,496
Past due					
Within 1 month	2.03%	3.16%	13,341	422	12,919
1 to 3 months	3.07%	3.87%	3,359	130	3,229
3 to 6 months	3.11%	5.54%	11,957	663	11,294
6 to 9 months	3.96%	5.68%	17,931	1,019	16,912
9 to 12 months	4.11%	10.69%	8,390	897	7,493
1 to 2 years	17.99%	40.29%	2,348	946	1,402
Over 2 years	28.03%	72.04%	2,500	1,801	699
Specific assessment:					
Credit impaired	100%	100%	2,577	2,577	–
			223,003	10,559	212,444

14. TRADE AND BILLS PAYABLES

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Trade payables	**37,579**	47,908
Bills payables	**–**	–
	37,579	47,908

An ageing analysis of the trade payables as at 31 December 2019, based on the invoice date, is as follows:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Within 1 month	**35,467**	13,714
1 to 3 months	**1,518**	20,619
3 to 6 months	**410**	10,416
Over 6 months	**184**	3,159
	37,579	47,908

Trade 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:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Repayable within 1 year:		
Unsecured bank loans	**49,500**	43,500
Secured bank loans	**63,868**	2,884
Guaranteed bank loans	**–**	4,900
Secured and guaranteed bank loans	**–**	27,000
	113,368	78,284

At 31 December 2019, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 4.35% to 6.20% (2018: 4.35% to 6.20% per annum).

Included in the secured bank loans at 31 December 2019 were factoring loans of approximately RMB36,868,000 (2018: RMB2,884,000) 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 2019 and 2018, bank borrowings totaling approximately RMB63,868,000 and RMB29,884,000 were secured by the following land use rights, leasehold buildings and trade receivables of the Group, respectively:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Land use rights	**8,213**	8,386
Leasehold buildings	**8,659**	9,313
Trade receivables	**45,393**	3,567
	62,265	21,266

(b) At 31 December 2019, certain bank borrowings of NIL (2018: approximately RMB27,000,000) were jointly guaranteed by Mr. Shen Min, Ms. Zhang Yaying and Mr. Shen Minghui, the executive Directors.

(c) At 31 December 2018, a bank borrowing of approximately RMB4,900,000 was secured by the personal insurance policy in favour of Ms. Zhang Yaying for an insured sum of approximately RMB5,900,000.

(d) At 31 December 2019, the Group had banking and other borrowings facilities totaling approximately RMB85,500,000 (2018: RMB94,500,000), which were utilised to the extent of approximately RMB76,500,000 (2018: RMB75,400,000), and the Group's available unused credit facilities amounted to approximately RMB9,000,000 (2018: approximately RMB19,100,000).

16. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors and the highest paid employees, are as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Salaries and other emoluments	**735**	750
Pension scheme contributions	**140**	196
	875	946

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

17. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2019 and up to the date of this announcement:

(a) On 17 January 2020, the Company completed the initial listing of its 1,000,000,000 shares of HK$0.01 (the "**Initial Listing**") each in issue on the Main Board of the Stock Exchange including 250,000,000 new shares of HK$0.01 each issued by Hong Kong public offering and international placing (the "**Global Offering**") at HK$0.53 per offer share, 749,989,870 new shares of HK$0.01 each 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 (wholly-owned by Ms. Yan Han Lin) by way of capitalisation out of the share premium (Note (b) below), and 10,130 then existing shares of HK$0.01 each in issue held by Jiachen Investment Limited, Xinchen Investment Limited, Yilong Investment Limited and Crystal Breeze Ventures Limited.

(b) On 16 January 2020, pursuant to the written resolution passed by the shareholders of the Company on 19 December 2019 and immediately prior to the Initial Listing on 17 January 2020, the Company issued 377,619,900, 231,371,875, 131,473,224 and 9,524,871 new shares of HK$0.01 each of the Company to Jiachen Investment Limited, Xinchen Investment Limited, Yilong Investment Limited and Crystal Breeze Ventures Limited, respectively, by capitalisation of an aggregate amount of HK$7,499,898.70 (or approximately RMB6,642,000) out of the share premium account of the Company.

18. DIVIDEND

No dividend has been paid or declared by the Company during 2018 and 2019.

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. Driven by a stable economic environment, continuous investments in new office buildings as well as growing construction area of industrial land, the market share of access flooring products has reached approximately 7.0% as of 2018 in the PRC. Between 2014 and 2018, revenue in the access flooring manufacturing industry increased from approximately RMB4,948.4 million to approximately RMB6,336.4 million, representing a CAGR of approximately 6.4%. Between 2018 and 2023, revenue in the access flooring manufacturing industry is expected to continue increasing at a CAGR of approximately 6.0%, increasing from approximately RMB6,336.4 million to approximately RMB8,490.7 million. This fast 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 the third largest player in the access floor manufacturing industry with a market share of approximately 3.6% in terms of revenue in the PRC in 2018, the Board believes that a top-down management structure is conducive to 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 our customer base, track our 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. For the year ended 31 December 2019, the Group spent approximately RMB9.9 million in research and development compared to that of approximately RMB8.3 million for the year ended 31 December 2018.

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, and 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 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.

PROSPECTS

While the overall revenue in the access flooring manufacturing industry in the PRC increased at a CAGR of approximately 6.4% between 2014 and 2018, it is expected to continue increasing at a CAGR of approximately 6.0% between 2018 and 2023. As the Group is a well-established access flooring manufacturer with a proven track record in the PRC, the Board is confident in capturing the potential growth in the industry over our competitors in future leveraging on the following attributes:

- core values and distinctive products and services recognised by customers;
- stringent quality control measures; and
- experienced and stable management team.

In view of the outbreak of the novel coronavirus ("**COVID-19**") in January 2020, the economic environment in the PRC after the Chinese New Year would surely be affected to a certain extent. However, the Board considers the impact would not sustain for a long period time as the financial backbone of the economy is still solid.

BUSINESS STRATEGIES AND IMPLEMENTATION PLAN

The shares of the Company were listed on 17 January 2020 and therefore the net proceeds from the Global Offering were only received subsequent to the year ended 31 December 2019. Hence, the implementation plan for the business strategies as stated in the prospectus of the Company dated 31 December 2019 (the "**Prospectus**") has not yet commenced during the year ended 31 December 2019. The Group is in its preliminary stage of implementing its business strategies. An analysis comparing the business strategies set out in the Prospectus with the Group's actual business progress up to the date of this announcement is set out below:

Business Strategies	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
1. Increase the production capacity and efficiency		As at the date of this announcement, the proceeds from the Global Offering have not been utilized in the implementation of the business strategies
– acquisition of a parcel of land in Changzhou City	20.9	
– construction of infrastructure including two new factory buildings for production and storage	21.9	
– installation of six additional production lines	26.9	
– installation of environmental-friendly and energy-saving facilities and equipment	2.2	
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	

Business Strategies	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
3. Repayment of outstanding indebtedness of the Group	5.0	
4. Enhancement and optimization of the information technology system	2.3	
5. Working capital and general corporate purposes	1.5	
Total	85.8	

FINANCIAL REVIEW

The Group recorded a consolidated revenue of approximately RMB270.9 million for the year ended 31 December 2019, representing an increase of approximately RMB22.1 million or 8.9% as compared to the corresponding period in 2018. The increase in revenue was primarily driven by the increase 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			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Steel access flooring products	**221,946**	**81.9**	204,319	82.1
Calcium sulfate access flooring products	**48,913**	**18.1**	44,466	17.9
Total	**270,859**	**100.0**	248,785	100.0

In the year ended 31 December 2019, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 81.9% of the total revenue. Revenue derived from sales of steel access flooring products increased by 8.6% from approximately RMB204.3 million in the year ended 31 December 2018 to approximately RMB221.9 million in the year ended 31 December 2019. This is mainly attributable to the increase in average unit selling price as well as the increase in sales volume.

Revenue derived from sales of calcium sulfate access flooring products increased by 10.0% from approximately RMB44.5 million in the year ended 31 December 2018 to approximately RMB48.9 million in the year ended 31 December 2019. This is mainly attributable to the increase in sale volume but partially offset by the decrease in average unit selling price.

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

	For the year ended 31 December			
	2019		2018	
	Sales volume	**Average unit selling price**	Sales volume	Average unit selling price
	million m²	***RMB/m²***	*million m²*	*RMB/m²*
Steel access flooring products	**1.78**	**124.8**	1.68	121.9
Calcium sulfate access flooring products	**0.29**	**167.2**	0.26	171.7
Total	**2.07**		1.94	

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.

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 revenue by geographical location are as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
PRC	**249,963**	**92.3**	226,046	90.9
Overseas	**20,896**	**7.7**	22,739	9.1
Total	**270,859**	**100.0**	248,785	100.0

For both of the years ended 31 December 2019 and 2018, 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			
	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**56,120**	**25.3**	48,387	23.7
Calcium sulfate access flooring products	**12,197**	**24.9**	11,779	26.5
Total	**68,317**	**25.2**	60,166	24.2

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 2019 and 2018. The gross profit margin of the steel 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 increase in gross profit margin of steel access flooring products for the year ended 31 December 2019 compared to that of 2018 was principally attributable to the increase in average unit selling price. On the other hand, the decrease in gross profit margin of calcium sulfate access flooring products for the year ended 31 December 2019 compared to that of 2018 was mainly due to the decrease in average unit selling price in order to maintain the competitiveness of the Group in the market.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses decreased by approximately RMB0.2 million, representing a 3.6% decrease to approximately RMB5.0 million in the year ended 31 December 2019 from approximately RMB5.2 million in the year ended 31 December 2018. The decrease was mainly attributed to the decrease in salaries and entertainment expenses.

Administrative expenses increased substantially by approximately RMB10.1 million, representing a 54.9% increase to approximately RMB28.4 million in the year ended 31 December 2019 from approximately RMB18.3 million in the year ended 31 December 2018. The increase was mainly attributed to the increase in both listing expenses and research and development costs.

Finance costs increased by approximately RMB2.3 million, representing a 47.4% increase to approximately RMB7.1 million in the year ended 31 December 2019 from approximately RMB4.8 million in the year ended 31 December 2018. The increase was mainly due to the increase in interest on bank borrowings in the year ended 31 December 2019.

OPERATING RESULTS

Profit before taxation has reduced by 21.0% from approximately RMB30.0 million for the year ended 31 December 2018 to approximately RMB23.7 million primarily due to the increase in impairment loss of contract assets, trade receivables and other receivables, and the increase in administrative expenses as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group held total assets of approximately RMB359.5 million (31 December 2018: approximately RMB319.8 million), including cash and cash equivalents of approximately RMB16.4 million (31 December 2018: approximately RMB16.2 million).

As at 31 December 2019, the Group had total liabilities of approximately RMB189.8 million (31 December 2018: RMB169.4 million) which mainly comprise bank borrowings amounting to RMB113.4 million (31 December 2018: RMB78.3 million).

As at 31 December 2019, the debt-to-equity ratio, expressed as a percentage of total loans and borrowings net of cash and cash equivalents over total equity, was about 56.8% (31 December 2018: 42.7%). This significant increase was mainly resulted from the increase in bank borrowings for the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities (31 December 2018: NIL).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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. 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 2019, the Group had the following charges on its assets:

(a) Bank borrowings totaling approximately RMB63,868,000 (31 December 2018: approximately RMB29,884,000) were secured by the following assets:

  (i) land use rights with a carrying value of approximately RMB8,213,000 as at 31 December 2019 (31 December 2018: approximately RMB8,386,000);

  (ii) leasehold buildings with a carrying value of approximately RMB8,659,000 as at 31 December 2019 (31 December 2018: approximately RMB9,313,000); and

  (iii) trade receivables with a carrying value of approximately RMB45,393,000 as at 31 December 2019 (31 December 2018: approximately RMB3,567,000).

(b) Restricted bank balances of approximately RMB3,470,000 (31 December 2018: approximately RMB2,335,000) were pledged as security for issuing commercial bills to suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 218 employees (31 December 2018: 228). The total staff costs including directors' remuneration for the year were approximately RMB13.8 million (2018: approximately RMB14.2 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 2019 (2018: NIL).

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2019.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries, associates and joint ventures as at 31 December 2019.

CAPITAL EXPENDITURE

For the year ended 31 December 2019, the Group spent approximately RMB2.9 million (2018: approximately RMB1.4 million) on capital expenditure, which was primarily related to the acquisition of plant and machinery.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since listing of its shares (the "**Listing**") on the Stock Exchange on 17 January 2020 (the "**Listing Date**") except the following:

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Since the Company was not listed until 17 January 2020, the Company did not maintain a directors and officers liability insurance during the year ended 31 December 2019. Upon Listing, the Company sought to arrange directors and officers liability insurance for the Directors. However, due to the prolonged Chinese new year holiday period and the outbreak of the COVID-19 in January 2020, the time required in the process of negotiation the said insurance cover was not completed until 19 March 2020. As such, the Company did not maintain directors and officers liability insurance for the Directors from the Listing Date to 18 March 2020. However, effective from 19 March 2020, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

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 2019.

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 throughout the period from the Listing Date to the date of this announcement.

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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement due to travel restrictions and quarantine policies in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditor. The Board wished to emphasize that the 2019 Financial Results set out in this announcement is extracted directly from the latest unaudited management accounts of the Group for the year ended 31 December 2019 and is subject to changes resulting from, among other things, any potential adjustments that might be proposed by the Company's auditor upon completion of their audit. An announcement relating to the audited results will be published when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited 2019 Financial Results contained herein have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL REPORT AND THE AUDITED 2019 FINANCIAL RESULTS

Publication of the annual report of the Group for the year ended 31 December 2019 (the "**Annual Report**") containing all the information required by the Listing Rules and the audited 2019 Financial Results was delayed due to the outbreak of the COVID-19 which caused a disruption in the auditing process. While the completion of the auditing process depends on the travel restrictions and quarantine arrangements in relation to the COVID-19, it is therefore difficult to estimate a completion date for the auditing process with reasonable preciseness. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and Mainland China, and hopefully, expects to publish the Annual Report and the audited 2019 Financial Results by 15 May 2020 in accordance with further guidance on the joint statement issued by the Stock Exchange and the Securities and Futures Commission dated 16 March 2020.

By Order of the Board
JiaChen Holding Group Limited
Shen Min
Executive Director

Hong Kong, 26 March 2020

As at the date of this announcement, the executive Directors are Mr. Shen Min, Ms. Zhang Yaying, Mr. Shen Minghui and Mr. Chen Shiping; 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 of Hong Kong Limited at www.hkexnews.hk.