

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

Interim Report 2020

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MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECT

JiaChen Holding Group Limited (the “Company”) and its subsidiaries (collectively referred to as 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 People’s Republic of China (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 compound annual growth rate (“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.

On 17 January 2020 (the “Listing Date”), the shares of the Company (the “Shares”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which marked a significant milestone for the development of the Group. The net proceeds amounting to approximately HK\$85.8 million resulting from an aggregate of 250,000,000 Shares offered for subscription to the public in Hong Kong, and under placing arrangement with selected professional, institutional and other investors (collectively referred to as “Global Offering”) will be applied towards: (i) acquisition of a parcel of land and implementation of new production lines and supplemental equipment; (ii) acquisition of automated machinery and equipment for upgrading existing production lines; (iii) repayment of outstanding indebtedness of the Group; (iv) enhancing and optimising the information technology system; and (v) providing general working capital for the Group.

Since the outbreak of the novel coronavirus (COVID-19) in January 2020, the PRC central government has adopted a series of prevention and control measures, including regional traffic control, restriction or suspension of entertainment, as well as delayed resumption of factory production, etc. This has undoubtedly led to temporary negative impact on the economic activities and hence the PRC central government implemented a series of measures to mitigate the negative impact on the economy, such as reduction of tax, fees, interest rate and rent. With the relaxation of the prevention and control measures in April 2020, factory production was allowed to resume. However, it appears that the outbreak of the COVID-19 pandemic has not slowed down and stricter prevention and control measures have been adopted on a global basis. The Group will therefore continue to keep a close attention to the impact caused by the COVID-19 and will take all relevant actions in order to minimize the negative impact on the Group.

Going forward, the Group will need to take part more rigorously in tender bidding for all potential projects. Moreover, the Group will continue to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen its competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES ANALYSIS

The Group recorded a consolidated revenue of approximately RMB67.2 million for the six months ended 30 June 2020, representing a decrease of approximately RMB57.7 million or 46.2% as compared to the six months ended 30 June 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 product are as follows:

	For the six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Steel access flooring products	54,166	80.6	109,594	87.8
Calcium sulfate access flooring products	13,036	19.4	15,294	12.2
Total	67,202	100.0	124,888	100.0

For the six months ended 30 June 2020, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 80.6% of the total revenue. Revenue derived from sales of steel access flooring products decreased by 50.6% from approximately RMB109.6 million for the six months ended 30 June 2019 to approximately RMB54.2 million for the six months ended 30 June 2020. This is mainly attributable to the substantial reduction in sales volume resulting from the outbreak of the COVID-19.

Revenue derived from sales of calcium sulfate access flooring products decreased by 14.8% from approximately RMB15.3 million for the six months ended 30 June 2019 to approximately RMB13.0 million for the six months ended 30 June 2020. This is mainly attributable to the decrease in average selling price.

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

	For the six months ended 30 June			
	2020		2019	
	Sales volume million m ²	Average unit selling price RMB/m ²	Sales volume million m ²	Average unit selling price RMB/m ²
Steel access flooring products	0.43	125.9	0.91	120.3
Calcium sulfate access flooring products	0.08	163.8	0.09	168.5
Total	0.51		1.00	

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 market demand was somehow seriously affected by the outbreak of the COVID-19 during the six months ended 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
PRC	58,158	86.5	119,111	95.4
Overseas	9,044	13.5	5,777	4.6
Total	67,202	100.0	124,888	100.0

For both of the six months ended 30 June 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 six months ended 30 June			
	2020		2019	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Steel access flooring products	10,547	19.5	27,145	24.8
Calcium sulfate access flooring products	2,785	21.4	3,697	24.2
Total	13,332	19.8	30,842	24.7

The gross profit from steel access flooring products accounted for majority of the gross profit of the Group for both of the six months ended 30 June 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 decrease in gross profit margin of steel access flooring products for the six months ended 30 June 2020 compared to that of 2019 was principally attributable to the relative increase in the fixed cost of production per unit resulting from the decrease in sales volume. On the other hand, the decrease in gross profit margin of calcium sulfate access flooring products for the six months ended 30 June 2020 compared to that of 2019 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 RMB0.3 million, representing a 10.1% decrease to approximately RMB2.3 million for the six months ended 30 June 2020 from approximately RMB2.6 million for the six months ended 30 June 2019. The decrease was mainly attributed to the reduction in service fee.

Administrative expenses decreased by approximately RMB1.9 million, representing a 12.0% decrease to approximately RMB14.3 million for the six months ended 30 June 2020 from approximately RMB16.3 million for the six months ended 30 June 2019. The reduction was mainly attributed to the conscientious effort by the management to control the administrative expenses resulting from the substantial reduction in the revenue of Group for the six months ended 30 June 2020.

Finance costs decreased by approximately RMB1.1 million to approximately RMB2.7 million for the six months ended 30 June 2020 from approximately RMB3.8 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in interest on bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Profit before taxation decreased by 11.6% from approximately RMB9.0 million for the six months ended 30 June 2019 to approximately RMB7.9 million for the six months ended 30 June 2020. It was mainly due to the substantial reduction in the revenue of the Group for the six months ended 30 June 2020 compared to that of the corresponding six months in 2019.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. 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.

As at 30 June 2020, the Group held total assets of approximately RMB414.0 million (31 December 2019: approximately RMB359.5 million), including cash and cash equivalents of approximately RMB100.8 million (31 December 2019: approximately RMB 16.4 million). The Group's cash and cash equivalents were mainly denominated in RMB and, to a lesser extent, United States dollars.

As at 30 June 2020, the Group had total liabilities of approximately RMB136.7 million (31 December 2019: RMB 189.8 million) which mainly comprise of bank borrowings amounting to RMB84.0 million (31 December 2019: RMB 113.4 million). The Group's bank borrowings were denominated in RMB and bearing interest at the rates ranging from 4.50% to 6.20%.

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%, whereas as at 30 June 2020, the debt-to-equity ratio was about -5.2%, which was not quite meaningful as the Group had a significant amount of cash and cash equivalents to cover more than its bank borrowings.

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 31.2% and 68.5% as at 30 June 2020 and 31 December 2019, respectively.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no contingent liabilities (31 December 2019: nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments contracted but not provided for as at 30 June 2020 and 31 December 2019.

EXPOSURE TO FLUCTUATIONS 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 (the "Board") of directors (the "Directors") of the Company 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 six months ended 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group had the following charges on its assets:

- (a) Bank borrowings totaling approximately RMB54,004,000 (31 December 2019: approximately RMB63,868,000) were secured by the following assets:
 - (i) land use rights with a carrying value of approximately RMB8,125,000 as at 30 June 2020 (31 December 2019: approximately RMB8,213,000);
 - (ii) leasehold buildings with a carrying value of approximately RMB9,057,000 as at 30 June 2020 (31 December 2019: approximately RMB9,313,000); and
 - (iii) trade receivables with a carrying value of approximately RMB16,103,000 as at 30 June 2020 (31 December 2019: approximately RMB45,393,000).
- (b) Restricted bank deposit of nil (31 December 2019: approximately RMB3,470,000) was pledged as security for issuing commercial bills to suppliers.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2020, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Saved as disclosed in this interim report, the Group does not have other plans for material investment and capital assets during the six months ended 30 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 205 employees (31 December 2019: 218). The total staff costs including Directors' remuneration for the six months ended 30 June 2020 were approximately RMB6.3 million (six months ended 30 June 2019: approximately RMB7.2 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.

CASH FLOWS

The Group reported net cash inflow from operating activities of approximately RMB26.5 million for the six months ended 30 June 2020 as compared to the net cash outflow of approximately RMB13.5 million from operating activities for six months ended 30 June 2019. The swing to cash inflow from cash outflow was mainly attributable to the increase in working capital generated from operating activities during the six months ended 30 June 2020.

The Group reported net cash outflow of approximately RMB11.2 million from investing activities for the six months ended 30 June 2020 compared to that of approximately RMB2.6 million for the six months ended 30 June 2019. This substantial increase was largely due to the surge in payment for acquisitions of property, plant and equipment during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash inflow amounting to approximately RMB69.1 million was generated from financing activities for the six months ended 30 June 2020 compared to approximately RMB14.1 million for the six months ended 30 June 2019. This was mainly due to the proceeds received from the Global Offering.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

BUSINESS OBJECTIVES AND IMPLEMENTATION PLAN

As the Shares were listed on 17 January 2020, the Group was at its initial stage of implementing its business objectives and strategies during the six months ended 30 June 2020. An analysis comparing the business objectives set out in the prospectus of the Company dated 31 December 2019 with the Group's actual implementation progress during the six months ended 30 June 2020 is as follows:

Business Strategies	Planned use of proceeds (HK\$'M)	Actual use of proceeds (HK\$'M)	Unutilised amount as at 30 June 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	On or before the end of December 2020
– construction of infrastructure including two new factory buildings for production and storage	21.9	–	21.9	On or before the end of June 2021
– installation of six additional production lines	26.9	14.4	12.5	On or before the end of June 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	2.1	3.0	On or before the end of December 2021
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	23.0	62.8	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue	4	67,202	124,888
Cost of sales		(53,870)	(94,046)
Gross profit		13,332	30,842
Other revenue and other net income	5	13,916	734
Selling and distribution costs		(2,341)	(2,605)
Administrative expenses		(14,312)	(16,256)
Profit from operations		10,595	12,715
Finance costs	6	(2,680)	(3,757)
Profit before taxation	7	7,915	8,958
Income tax	8	(1,838)	(1,899)
Profit and total comprehensive income for the period		6,077	7,059
Attributable to:			
Owners of the Company		6,017	6,989
Non-controlling interest		60	70
Profit and total comprehensive income for the period		6,077	7,059
		RMB cent	RMB cent
Earnings per share			
Basic and diluted	10	0.62	0.94

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		27,604	28,061
Land use rights		7,952	8,040
Right-of-use asset		786	1,234
Other intangible assets		119	142
Deferred tax assets		2,739	2,739
		39,200	40,216
Current assets			
Inventories		40,949	29,585
Contract assets	11	62,493	61,115
Trade and bills receivables	12	143,075	193,804
Deposits, prepayments and other receivables		27,465	14,877
Restricted bank deposits		–	3,470
Cash and cash equivalents		100,781	16,414
		374,763	319,265
Total assets		413,963	359,481
Current liabilities			
Trade and bills payables	13	30,003	37,579
Contract liabilities	14	2,597	2,186
Accruals and other payables		14,149	31,936
Lease liabilities		716	827
Bank borrowings		84,004	113,368
Tax payable		3,421	1,817
		134,890	187,713
Net current assets		239,873	131,552
Total assets less current liabilities		279,073	171,768

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		1,764	2,063
Net assets		277,309	169,705
Equity			
Share capital	15	8,862	–
Reserves		266,707	168,025
Equity attributable to owners of the Company		275,569	168,025
Non-controlling interests		1,740	1,680
Total equity		277,309	169,705

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital Reserve	Statutory reserve	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	-	61,927	1,568	8,152	77,278	148,925	1,489	150,414
Profit and total comprehensive income for the period	-	-	-	-	6,989	6,989	70	7,059
Transfer to statutory reserve	-	-	-	699	(699)	-	-	-
At 30 June 2019 (Audited)	-	61,927	1,568	8,851	83,568	155,914	1,559	157,473
At 1 January 2020 (Audited)	-	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Profit and total comprehensive income for the period	-	-	-	-	6,017	6,017	60	6,077
Issuance of shares upon listing	2,220	115,207	-	-	-	117,427	-	117,427
Issuance cost	-	(15,900)	-	-	-	(15,900)	-	(15,900)
Capitalisation issue	6,642	(6,642)	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	1,031	(1,031)	-	-	-
At 30 June 2020 (Unaudited)	8,862	154,592	1,568	11,164	99,383	275,569	1,740	277,309

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash generated from/(used in) operating activities	26,466	(13,533)
Cash flows from investing activities		
Payment for acquisitions of property, plant and equipment	(15,000)	(1,102)
Proceeds from disposal of property, plant and equipment	5	–
Withdrawal/(placement) of restricted bank deposits	3,470	(1,546)
Interest received	353	56
Net cash used in investing activities	(11,172)	(2,592)
Cash flows from financing activities		
Proceeds from issuance of shares	110,257	–
Proceeds from bank borrowings	99,500	55,271
Repayment of bank borrowings	(128,864)	(34,784)
Payment of capitalized listing expenses	(8,730)	(1,646)
Proceeds of advances from a shareholder and director	–	21
Repayments of advances from shareholders and directors	–	(852)
Repayment of lease liabilities	(410)	(344)
Interest payments	(2,680)	(3,575)
Net cash generated from financing activities	69,073	14,091
Net increase/(decrease) in cash and cash equivalents	84,367	(2,034)
Cash and cash equivalents at beginning of period	16,414	16,155
Cash and cash equivalents at end of period	100,781	14,121

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL 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 the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 January 2020. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, 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 provide related installation services in the PRC. During the six months ended 30 June 2020, the principal business of the Group was carried out through 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 AND ACCOUNTING POLICIES

The Group’s unaudited consolidated results for the six months ended 30 June 2020 (the “Interim Financial Results”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) including compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards which are effective for the current accounting period of the Group. None of those 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.

The accounting policies adopted in preparing the Interim Financial Results are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2019.

The Interim Financial Results are unaudited but have been reviewed by the audit committee of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. 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 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 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 six months ended 30 June 2020 is set out below:

(i) Analysis of the Group's revenue and results by segment:

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Reportable segment revenue from external customers	54,166	109,594	13,036	15,294	67,202	124,888
Reportable segment gross profit	10,547	27,145	2,785	3,697	13,332	30,842
Reportable segment profit	11,624	16,054	2,984	1,993	14,608	18,047

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Segment results, assets and liability (Continued)

(ii) Analysis of the Group's assets and liabilities by segment:

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Reportable segment assets	250,272	287,460	58,302	48,138	308,574	335,598
Reportable segment liabilities	121,840	164,475	11,394	12,676	133,234	177,151

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue		
Reportable segment total revenue and consolidated revenue	67,202	124,888
Profit or loss		
Reportable segment results	14,608	18,047
Unallocated other revenue	3,478	289
Unallocated head office and corporate expenses	(7,491)	(5,621)
Unallocated finance costs	(2,680)	(3,757)
Consolidated profit before taxation	7,915	8,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (Continued)

(c) Reconciliations of reportable assets and liabilities

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Assets		
Reportable segment assets	308,574	335,598
Unallocated head office and corporate assets	105,389	23,883
Consolidated total assets	413,963	359,481
Liabilities		
Reportable segment liabilities	133,234	177,151
Unallocated head office and corporate liabilities	3,420	12,625
Consolidated total liabilities	136,654	189,776

(d) 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:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
PRC	58,158	119,111
Hong Kong	1,055	498
Other countries	7,989	5,279
	67,202	124,888

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue from contracts with customers by types of performance:		
– Sales of access flooring plates	64,180	118,444
– Provision of installation services	3,022	6,444
	67,202	124,888
Analysis of revenue by types of contracts:		
– Supply of access flooring plates and provision of installation services	54,743	102,617
– Supply of access flooring plates	12,423	21,373
– Provision of installation services	36	898
	67,202	124,888

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Revenue recognized over time:		
– Sales of access flooring plates	51,757	97,071
– Provision of installation services	3,022	6,444
	54,779	103,515
Revenue recognized at a point in time		
– Sales of access flooring plates	12,423	21,373
	67,202	124,888

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Other revenue		
Bank interest income	491	56
Other interest income	–	233
	491	289
Other net income or loss		
Government subsidies	9,474	59
Scrap sales	256	379
Net loss on disposal of property, plant and equipment	(4)	(7)
Exchange gain, net	3,590	14
Sundry income	109	–
	13,425	445
	13,916	734

6. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Interest on bank borrowings	2,625	3,619
Loss on derecognition of financial assets upon factoring without recourse	–	67
Unwinding of finance costs on lease liabilities	55	71
	2,680	3,757

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Contract costs of goods sold and services rendered (Note (a))	53,870	94,046
Depreciation of property, plant and equipment	2,248	2,321
Amortization of right-of-use assets	448	410
Amortization of other intangible assets	23	24
Amortization of land use rights	88	86
Impairment of trade receivables	-	2,378
Impairment of contract assets	-	814
	-	3,192
Impairment of other receivables	-	323
Net loss on disposal of property, plant and equipment	4	7
Listing expenses:		
– Auditor	-	395
– Other professional fees	7,289	4,544
Operating lease charges in respect of properties and land use rights	211	114
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	5,426	5,691
– Contributions to defined contribution retirement plans	846	1,490
Research and development costs (Note (b))	2,450	4,698

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately RMB39,791,000 (six months ended 30 June 2019: RMB72,414,000), staff costs of approximately RMB2,374,000 (six months ended 30 June 2019: RMB3,355,000), installation costs of approximately RMB2,976,000 (six months ended 30 June 2019: RMB5,551,000), transportation costs of approximately RMB3,401,000 (six months ended 30 June 2019: RMB6,244,000), depreciation of property, plant and equipment of approximately RMB1,896,000 (six months ended 30 June 2019: RMB1,904,000) and amortization of right-of-use assets of approximately RMB324,000 (six months ended 30 June 2019: RMB324,000), 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 RMB1,233,000 (six months ended 30 June 2019: RMB3,521,000), staff cost of approximately RMB 672,000 (six months ended 30 June 2019: RMB681,000) and depreciation of property, plant and equipment of approximately RMB186,000 (six months ended 30 June 2019: RMB116,000), of which, their respective total amounts were disclosed above for each type of these expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Current tax		
PRC Corporation Income Tax		
– Charge for the period	1,838	2,697
Deferred tax		
– Origination and reversal of temporary differences	–	(798)
	1,838	1,899

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 had no taxable income derived in Hong Kong during the six months ended 30 June 2020 and 2019.

The Group's subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% on the assessable profits derived in Hong Kong. However, they had no assessable profits derived in Hong Kong during the six months ended 30 June 2020 and 2019.

The Group's subsidiaries incorporated in the British Virgin Islands had no assessable profits derived in Hong Kong during the six months ended 30 June 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% on its taxable profit. The other subsidiaries of the Group established in the PRC are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits. However, none of these subsidiaries had taxable profits since their respective dates of establishment.

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. However, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. EARNINGS PER SHARE

As of 31 December 2019, the Company had 10,130 ordinary shares in issue. On 17 January 2020, the Company completed the 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 at 31 December 2019, 250,000,000 new ordinary shares issued under 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 on 16 January 2020.

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of Company	6,017	6,989
	'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 global offering	227,282	–
Weighted average number of shares for the purpose of basic earnings per share	977,282	750,000

Basic earnings per share for the six months ended 30 June 2020 amounted to RMB0.62 cent (six months ended 30 June 2019: RMB0.94 cent). The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of 749,989,870 shares of the Company to its shareholders, which was completed on 16 January 2020 and assuming the reorganisation had been effective 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 periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. CONTRACT ASSETS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Rights to consideration for obligations performed on contracts in progress	48,968	44,218
Retention monies receivable on completed contracts	14,856	18,228
	63,824	62,446
Less: Allowance for expected credit losses	(1,331)	(1,331)
	62,493	61,115

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.

An ageing analysis of the contract assets, based on the date of revenue recognition and before allowance for expected credit losses, is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 month	17,713	15,804
1 to 3 months	3,178	10,569
3 to 6 months	2,662	9,297
6 to 9 months	14,591	12,681
9 to 12 months	6,645	3,185
1-2 years	18,697	10,796
Over 2 years	338	114
	63,824	62,446

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	157,055	205,352
Bills receivables	1,026	3,458
	158,081	208,810
Less: Allowance for expected credit losses	(15,006)	(15,006)
	143,075	193,804

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 month	28,978	35,033
1 to 3 months	15,034	30,157
3 to 6 months	3,575	45,639
6 to 9 months	36,583	32,657
9 to 12 months	31,281	28,997
1-2 years	24,222	21,321
Over 2 years	3,402	-
	143,075	193,804

The Group grants a credit period ranging from 60 to 365 days to its customers.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. TRADE AND BILLS PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	30,003	37,579

The following is an analysis of trade payables by age based on the invoice date:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 1 months	25,989	35,467
1 to 3 months	2,494	1,518
3 to 6 months	752	410
Over 6 months	768	184
	30,003	37,579

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

14. 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:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
At the beginning of the reporting period	2,186	3,537
Advance considerations received from customers	2,256	1,991
Revenue recognized during the period that was included in the contract liabilities balance at the beginning of the period	(1,845)	(3,342)
At the end of the reporting period	2,597	2,186

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2020 '000 (Unaudited)	As at 31 December 2019 '000 (Audited)	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	5,000,000	5,000,000	50,000	50,000
Issued and fully paid				
Ordinary shares of HK\$0.01 each	1,000,000	10	10,000	—*

Movements in the issued share capital of the Company during the periods are as follows:

	Six months ended 30 June 2020		Twelve months ended 31 December 2019	
	Number of shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value HK\$'000 (Audited)
Balance at the beginning of the reporting period	10	—*	10	—*
Capitalisation issue	749,990	7,500	—	—
Issue of shares under global offering	250,000	2,500	—	—
At the end of the reporting period	1,000,000	10,000	10	—*

* rounded to less than HK\$1,000

16. MATERIAL RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Salaries and other emoluments	542	396
Post-employment benefits	54	71
	596	467

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/Nature of interest	Number of shares (Note 1) held/interested in	Percentage of interest in the Company
Mr. Shen Min ("Mr. Shen") (Notes 2 and 3)	Interest in a controlled corporation	377,625,000	37.76%
	Interest of spouse	231,375,000	23.14%
		609,000,000	60.90%
Ms. Zhang Yaying ("Ms. Zhang") (Notes 3 and 4)	Interest in a controlled corporation	231,375,000	23.14%
	Interest of spouse	377,625,000	37.76%
		609,000,000	60.90%
Mr. Shen Minghui ("Mr. Shen MH") (Note 5)	Interest in a controlled corporation	131,475,000	13.15%

Notes:

- All interests stated are long positions.
- Mr. Shen owns 100% of the issued share capital of Jiachen Investment Limited ("Jiachen Investment"), which, in turn, holds 377,625,000 Shares. Accordingly, Mr. Shen is deemed to be interested in 377,625,000 Shares held by Jiachen Investment by virtue of the SFO.
- Ms. Zhang owns 100% of the issued share capital of Xinchen Investment Limited ("Xinchen Investment"), which, in turn holds 231,375,000 Shares. Accordingly, Ms. Zhang is deemed to be interested in 231,375,000 Shares held by Xinchen Investment by virtue of the SFO.
- Mr. Shen and Ms. Zhang are spouses. By virtue of the SFO, Mr. Shen is deemed to be interested in all of the Shares which are held by Ms. Zhang and Ms. Zhang is deemed to be interested in all of the Shares held by Mr. Shen.
- Mr. Shen MH owns 100% of the issued share capital of Yilong Investment Limited ("Yilong Investment"), which, in turns, holds 131,475,000 Shares. Accordingly, Mr. Shen MH is deemed to be interested in 131,475,000 Shares held by Yilong Investment Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company nor his/her associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders of the Company (the "Shareholders") on 19 December 2019 for the purpose of granting options to selected participants as incentives or rewards for their contribution to the Company. Under the Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for the Shares:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "Invested Entity") in which the Company holds an equity interest;
- (b) any non-executive director (including independent non-executive director) of the Company, any of the subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of the Company or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The principal terms of the Scheme are as follows:

- (a) The maximum number of Shares to be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Company's issued share capital from time to time.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date which amount to 100,000,000 Shares and can be refreshed by seeking approval of the Shareholders in general meeting.
- (c) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue.
- (d) The subscription price of a Share in respect of any option granted under the Scheme shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option; and (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.
- (e) An option granted under the Scheme shall not be transferable or assignable and is personal to the grantee.
- (f) An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.
- (g) The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

OTHER INFORMATION

No option had been granted by the Company under the Scheme since its inception. Subject to earlier termination by the Company in general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2020 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interest	Number of shares held/interested in <small>(Note 1)</small>	Percentage of interest in the Company
Jiachen Investment <small>(Note 2)</small>	Beneficial owner	377,625,000	37.76%
Xinchen Investment <small>(Note 3)</small>	Beneficial owner	231,375,000	23.14%
Yilong Investment <small>(Note 4)</small>	Beneficial owner	131,475,000	13.15%
Ms. Liu Hui <small>(Note 5)</small>	Interest of spouse	131,475,000	13.15%

Notes:

1. All interests stated are long positions.
2. Jiachen Investment is wholly-owned by Mr. Shen. By virtue of the SFO, Mr. Shen is deemed to be interested in all of the Shares held by Jiachen Investment.
3. Xinchen Investment is wholly-owned by Ms. Zhang. By virtue of the SFO, Ms. Zhang is deemed to be interested in all of the Shares held by Xinchen Investment.
4. Yilong Investment is wholly-owned by Mr. Shen MH. By virtue of the SFO, Mr. Shen MH is deemed to be interested in all of the Shares held by Yilong Investment.
5. Mr. Shen MH and Ms. Liu Hui are spouses. By virtue of the SFO, Ms. Liu Hui is deemed to be interested in all of the Shares which are held by Mr. Shen MH.

Save as disclosed above, as at 30 June 2020, no other persons (other than the Directors and chief executives of the Company) had any interests or short positions in the Shares, underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the material related party transactions are set out in note 16 to the condensed consolidated interim financial statements of this interim report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

The Directors confirm that none of the substantial shareholders of the Company, namely Mr. Shen, Jiachen Investment, Ms. Zhang, Xinchun Investment, Mr. Shen MH and Yilong Investment, the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 June 2020 and up to the date of this interim report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Based on specific enquiry made with all Directors, the Company considers that the Directors complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

Save as disclosed below, the Directors consider that from the Listing Date up to 30 June 2020, the Company has adopted and complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

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. Upon listing of the Shares, the Company sought to arrange directors and officers liability insurance for the Directors. However, due to the prolonged Chinese New Year holiday period, the outbreak of the COVID-19 in January 2020 and the time required in the process of negotiation, the said insurance cover was not completed until 19 April 2020. As such, the Company did not maintain directors and officers liability insurance for the Directors from the Listing Date up to 18 April 2020. However, effective from 19 April 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.

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 30 June 2020 and up to the date of this interim report.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the publication of the 2019 annual report of the Company are as follows:

- Ms. Zhang Yaying resigned as an executive Director with effect from 2 July 2020.
- Ms. Liu Hui was appointed as an executive Director with effect from 2 July 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 CG Code. The Audit Committee comprises of three members, namely Mr. Ma Ving Lung, Mr. Yu Chun Kau, and Ms. Shi Dongying, all being independent non-executive Directors. Mr. Ma Ving Lung currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group's unaudited condensed consolidated interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

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

Changzhou, the People's Republic of China, 26 August 2020

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