

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 REPORT 2020



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Board of Directors

Executive Directors

Mr. Shen Min (*Chairman*)

Mr. Chen Shiping (*Chief Executive Officer*)

Mr. Shen Minghui

Ms. Liu Hui (appointed on 2 July 2020)

Ms. Zhang Yaying (resigned on 2 July 2020)

Independent Non-executive Directors

Mr. Ma Ving Lung

Ms. Shi Dongying

Mr. Yu Chun Kau

Audit Committee

Mr. Ma Ving Lung (*Chairman*)

Ms. Shi Dongying

Mr. Yu Chun Kau

Remuneration Committee

Mr. Yu Chun Kau (*Chairman*)

Mr. Shen Min

Ms. Shi Dongying

Nomination Committee

Ms. Shi Dongying (*Chairlady*)

Mr. Chen Shiping

Mr. Ma Ving Lung

Authorised Representatives

Mr. Shen Minghui

Mr. Li Wen Tao

Company Secretary

Mr. Li Wen Tao

Company Website

www.jiachencn.com.cn

Stock Code

1937

Principal Bankers

Agricultural Bank of China

Sub-Branch, Changzhou Economic Development Zone

157–159 Yanlingdong Road

Changzhou City

Jiangsu Province

China

DBS Bank (Hong Kong) Limited

11/F, The Center

99 Queen's Road Central

Hong Kong

Auditor

Crowe (HK) CPA Limited

Certified Public Accountant

9/F Leighton Centre

77 Leighton Road

Causeway Bay, Hong Kong

Registered Office in the Cayman Islands

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Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business and Head Office in the People's Republic of China

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Henglin Town

Wujin District

Changzhou, Jiangsu

China

Principal Place of Business in Hong Kong Registered Under Part 16 of the Companies Ordinance

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Share Registrar and Transfer Office

Cayman Islands Principal Share Registrar and Transfer Office

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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Dakin Capital Limited

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89 Queensway

Hong Kong

On behalf of the board (the "Board") of Directors (the "Directors") of JiaChen Holding Group Limited (the "Company"), it is my pleasure to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 to the shareholders of the Company (the "Shareholders").

Listing

On 17 January 2020, the shares of the Company (the "Shares") were successfully listed (the "Listing") 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. After completion of the issuance of 250,000,000 Shares to the public in Hong Kong, and under placing arrangement with selected professional, institutional and other investors (the "Global Offering"), the net proceeds amounting to approximately HK\$85.8 million (after deduction of the underwriting fees, commissions and other professional expenses totaling approximately HK\$46.7 million, of which, approximately HK\$4.9 million, HK\$4.7 million, HK\$13.2 million and HK\$5.5 million had been charged to profit or loss for the years ended 31 December 2017, 2018, 2019 and 2020, respectively, and approximately HK\$18.4 million had been deducted against the share premium account (directly related to share issuance)) would 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.

The Listing has, nevertheless, provided a financing channel leading to the enhancement of financial strength for the sustainable development of the Group.

Results

In 2020, the global economic environment was hardly hit by the outbreak of the coronavirus disease (COVID-19) pandemic. For the year ended 31 December 2020, the Group recorded a sales revenue of approximately RMB182.2 million, decreasing by approximately RMB88.7 million or 32.7% from that of approximately RMB270.9 million for the year ended 31 December 2019. Such decrease was mainly attributable to the stagnant economic activities in the People's Republic of China (the "PRC") resulting from the implementation of prevention and control measures, including regional traffic control, as well as delayed resumption of work and factory production, etc. by the Central Government of the PRC, so as to combat the spread of COVID-19 pandemic in the year ended 31 December 2020. Against this background, the net profit of the Group thereby decreased from approximately RMB19.3 million for the year ended 31 December 2019 to that of RMB0.8 million for the year ended 31 December 2020.

Prospects

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

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

Acknowledgement

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our employees and the management team for their hard works and contribution in the year. I would also like to thank all Shareholders for their long-term support.

Shen Min

Chairman

26 March 2021

General Overview

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

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

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

The Group is committed to exhibiting a high level of consciousness on product design, function and quality and accordingly, it has established a research and development team, the members of which have obtained relevant qualification as assistant engineer (助理工程師). With its strong research and development capability, the Group has made the following achievements: (i) better recombination ability of the coating resin in graphene; and (ii) better performance of the graphene coating powder in terms of coating flexibility, resistance and other technical areas. In spite of the widespread outbreak of the COVID-19, the Group spent approximately RMB7.0 million in research and development for the year ended 31 December 2020 as compared to that of approximately RMB 9.9 million for the year ended 31 December 2019.

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

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

Business Strategies and Implementation Plan

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

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

Overview of impacts of the COVID-19 pandemic during 2020

Economy of the PRC

The PRC's economy is still facing some difficulties and challenges in the short term. First of all, the employment problem of the fresh graduates and farmers for the current year should be addressed as the solution for the employment problem will directly drive the growth of consumption. Secondly, the rupture of both the industrial and value chains should be avoided. During the epidemic outbreaks in 2020, some companies closed down and went bankrupt, and the industrial chain was broken. Although large companies are more resilient, small companies are generally involved in the production process of these companies, and hence, the current support for small and medium enterprises is very important. Lastly, due to the impact of the COVID-19 pandemic, the international transportation of goods has been hindered to a certain extent, which has affected the international cooperation of some industries. While other countries may seek partners from within or abroad to bridge their internal industrial and value chains, the relevant industries in the PRC may therefore lose part of their international markets. Accordingly, it is necessary to resolve the impact of the COVID-19 pandemic on imports and exports.

The COVID-19 pandemic has huge impacts on the economy of the PRC. In the first quarter of 2020, the GDP in the PRC fell down by 6.8% year-on-year, and the growth rate was 13.2 percentage points lower than that of the same period of the last year. This was the first negative growth and the largest decline in the quarterly GDP since it was recorded. Nominal GDP decreased by approximately RMB3,042.1 billion in the first quarter of 2020 compared with normal conditions (nominal GDP decreased by RMB1,155.8 billion compared with that of the same period of the last year plus an estimated decrease in nominal GDP of RMB1,886.3 billion). The decrease in nominal GDP was also reflected in the decrease in all aspects of income. In the first quarter of 2020, the national per capita disposable income effectively fell down by 3.9% year-on-year, and the growth rate was 10.7 percentage points lower than that of the same period of the last year; the operating income of industrial enterprises above designated size decreased by 15.1% year-on-year, and the growth rate decreased by 22.3 percentage points from the same period of the last year; the national fiscal general public budget revenue fell down by 14.3% year-on-year, and the growth rate was 20.5 percentage points lower than that of the same period of the last year. The overall GDP of the PRC dropped to 2.3% for 2020. The decrease in income has seriously weakened the purchasing power of consumers, the ability of enterprises to organize production and investment, and the government's ability to make fiscal expenditures.

Commercial Office Industry

Affected by the COVID-19 pandemic, the average rental level of office buildings in top tier cities in 2020 hit a three-year low and dropped by 10%, and the vacancy rate reached a three-year high of more than 25%. It is expected that the recovery process of the commercial real estate market will be extremely slow and uncertain, and it will not even be able to fully return to the normal level until 2022.

Access flooring Industry

The main purchase targets of access flooring products are commercial office developers, as well as general contractors, fine decoration contractors, and office tenants of contractors' commercial offices. In the first quarter of 2020, almost all production enterprises in the access flooring industry went out of business due to epidemic prevention and control requirements such as suspension of construction and production, travel restrictions, and closure of sales offices. Although some projects resumed with the normalization of epidemic prevention and control, the overall resumption progress was slow. In the third quarter of 2020, with the second wave of epidemic in Shijiazhuang, Hebei, Daxing, Beijing, Shenyang, Liaoning, and other regions, domestic prevention and control measures were tightened again, and the most stringent control policies were implemented in the relevant regions, which once again impacted the access flooring companies that have not yet fully recovered.

Company's Operations

Part of the strategic procurement contracts signed by the Group and its customers near the end of 2019 was originally planned to be construction projects to be completed within 2 or 3 years. Due to the impact and economic uncertainties caused by the COVID-19 pandemic which broke out in January 2020, these construction projects were then postponed and resumption of their construction works was still not yet scheduled. The Company's normal operations were seriously disrupted. The situation is not very optimistic as to when operation can return to normal.

The main raw material for making steel sheets, which are required for producing steel access flooring products, is iron ores imported mainly from Australia and Brazil. Due to the spread of the COVID-19 pandemic around the globe, the iron ore mines were temporarily suspended and under-utilized, and the supply of iron ores was affected. Coupled with the increase in crude oil prices and the exponential increase in international shipping costs, it resulted in the drastic increase in the import price of iron ores. The selling price of iron ores, as quoted in Dalian Commodity Exchange* (大連商品交易所), drastically increased from RMB557.5/ton on 1 April 2020 to RMB996.0/ton on 31 December 2020 and RMB1,042/ton on 19 March 2021. This has directly led to the continuous increase in the domestic selling price of steel sheets from RMB2,999/ton on 1 April 2020 to RMB4,554/ton on 31 December 2020 and RMB5,026/ton on 19 March 2021, as quoted in Shanghai Futures Exchange* (上海期貨交易所). Accordingly, costs of raw materials consumed were unexpectedly increased and the gross profit of steel access flooring products plummeted during the year ended 31 December 2020. To cope with the increased purchase costs of the raw materials, the Group has been gradually negotiating with its customers so as to increase the selling prices of its steel access flooring products.

Sales Performance

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

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

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

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

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

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

	For the year ended 31 December			
	2020		2019	
	Sales volume 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	1.18	124.6	1.78	124.8
Calcium sulfate access flooring products	0.21	167.6	0.29	167.2
Total	1.39		2.07	

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

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

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

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

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

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

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

The gross profit from steel access flooring products accounted for majority of the gross profit of the Group for both of the years ended 31 December 2020 and 2019. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The reduction in gross profit margin of steel access flooring products for the year ended 31 December 2020 by about 5.7 percentage points over that of 2019, which was attributable to the increase in purchase prices of raw materials particularly galvanised and un-galvanised steel and the relative increase in the fixed costs of production per unit resulting from the decrease in sales volume. On the other hand, the increase in gross profit margin of calcium sulfate access flooring products for the year ended 31 December 2020 compared to that of 2019 was mainly due to the decrease in costs of raw materials.

Operating Costs and Expenses

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

Administrative expenses decreased by approximately RMB5.9 million, representing a 20.8% decrease to approximately RMB22.5 million for the year ended 31 December 2020 from approximately RMB28.4 million for the year ended 31 December 2019. The reduction was mainly attributed to the decrease in listing expenses and research and development costs.

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

Operating Results

Profit before taxation has reduced by 92.6% from approximately RMB23.7 million for the year ended 31 December 2019 to approximately RMB1.8 million for the year ended 31 December 2020. This was primarily due to: (i) the substantial reduction in the revenue of the Group resulting from the unstable economic environment which was driven by the implementation of prevention and control measures including regional traffic control, as well as delayed resumption of both work and factory production, etc by the Central Government of the PRC, so as to combat the spread of COVID-19 pandemic in the year ended 31 December 2020; (ii) the reduction in gross profit margin of steel access flooring products for the year ended 31 December 2020 by about 6 percentage points over that of 2019 due to the surge in the purchase price of the key raw materials (galvanised and un-galvanised steel) since April 2020 resulting from the supply chain crisis caused by shut-down of steel makers in the PRC, disruptions in iron ore mines caused by COVID-19 pandemic particularly in Brazil and the drastic increase in the prices of commodities/iron ores in the PRC and overseas since 1 April 2020, both of which were beyond the control of the management of the Group, and the relative increase in the fixed costs of production per unit resulting from the decrease in sales volume; and (iii) the substantial increase in the impairment of contract assets and trade receivables by about 167.6% than that of approximately RMB5.8 million provided for the year ended 31 December 2019, which was determined based on the historic credit loss experiences as adjusted current conditions at the reporting period end and for forward looking estimates.

Impairment Assessment of Contract Assets, Trade and Bills Receivables

The Group's customers are mainly large property developers and stated-owned enterprises with high credit rating and good past payment history with the Group prior to COVID-19 outbreak since January 2020.

During the year ended 31 December 2020, the COVID-19 pandemic pulled down the annual growth rate of GDP in the PRC to 2.3% and in consequence, caused various degrees of impacts and economic uncertainties on the Group's customers who experienced delays in settlements for their trade debts after the due dates of the invoices issued by the Group. The average number of days of collection of the trade and bills receivables increased from 189 days for 2019 to 349 days for 2020. At 31 December 2020, approximately 31.72% (2019: 17.47%) of contract assets aged over 1 year. The credit risks on the contract assets, trade and bills receivables increased in the year ended and at 31 December 2020.

The Group applies the simplified approach to provide for expected credit losses ("ECLs") prescribed by the Hong Kong Financial Reporting Standard 9 ("HKFRS 9"), which permits the use of lifetime expected loss provision for contract assets, trade and bills receivables. To measure the lifetime ECLs on contract assets, trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, current conditions at the reporting period end and forward looking information, such as expected economic conditions like the forecast of 2021 GDP in the PRC.

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

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

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

The increase in rates for allowance of ECLs on contract assets, trade and bills receivables at 31 December 2020 was mainly attributable to the COVID-19 pandemic which broke out in January 2020.

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

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2020 and subsequent settlements from the customers during the period from 1 January to 19 March 2021:

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

* Subsequent settlements received up to 19 March 2021.

Further details of impairment of contract assets, trade and bills receivables are disclosed in note 21(a)(vi), note 22(b) and (c) to the consolidated financial statements.

Capital Structure

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

Liquidity and Financial Resources

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

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

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

As at 31 December 2020, the Group had unutilised banking facilities of approximately RMB9.0 million (31 December 2019: approximately RMB9.0 million).

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

Contingent Liabilities

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

Capital Commitments

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

Exposure to Fluctuation in Exchange Rate

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

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

Charges on Group Assets

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

- (a) Bank borrowings totaling approximately RMB41.0 million (31 December 2019: approximately RMB63.9 million) were secured by the following assets:
 - (i) land use rights with a carrying value of approximately RMB8.0 million as at 31 December 2020 (31 December 2019: approximately RMB8.2 million);
 - (ii) leasehold buildings with a carrying value of approximately RMB8.0 million as at 31 December 2020 (31 December 2019: approximately RMB8.7 million);
 - (iii) No trade receivable was pledged as at 31 December 2020 (31 December 2019: approximately RMB45.4 million);

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

Employees and Remuneration Policies

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

Capital Expenditure

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

Cash flows

The Group reported net cash inflow from operating activities of approximately RMB39.8 million for the year ended 31 December 2020 as compared to the net cash outflow of approximately RMB19.9 million for the year ended 31 December 2019. The swing to cash inflow from cash outflow was mainly attributable to the increase in working capital generated from operating activities during the year ended 31 December 2020.

Net cash outflow from investing activities was approximately RMB61.8 million (2019: approximately RMB3.7 million) for the year ended 31 December 2020. This substantial increase was largely due to the surge in payments of long-term deposits and prepayment of property, plant and equipment during the year ended 31 December 2020.

Net cash inflows amounting to approximately RMB58.2 million from financing activities for the year ended 31 December 2020 compared to approximately RMB23.9 million for the year ended 31 December 2019. This is mainly due to the proceeds received from issuance of new shares under the Global Offering during the year ended 31 December 2020.

Significant Investment, Acquisition and Disposal

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

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

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, during the year ended 31 December 2020, the Group did not have other plans for material investments or capital assets.

Executive directors

Mr. Shen Min (沈敏) (“Mr. Shen”), whose former name was Shen Xiaodu (沈筱度), aged 62, is the founder of the Group, the chairman of the Board and an executive Director. He joined the Group since April 1991. He is a director of a number of subsidiaries of the Group and also a member of the remuneration committee. Mr. Shen was appointed as our Director on 7 July 2017 and was re-designated as an executive Director and the chairman of the Board on 19 June 2019. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director and legal representatives of a number of subsidiaries of the Group. Mr. Shen brings to the Group more than 29 years of experience in the access flooring manufacturing industry.

Mr. Shen established 武進縣崔橋計算機配件廠 (Wujin District Cui Qiao Parts Factory*) in April 1991 (which was subsequently renamed as 常州市佳辰機房設備廠 (Changzhou Jiachen Machinery Plant Factory*) in September 1994 and changed its name to Jiachen Machinery Plant in December 2004) and was responsible for its overall development. It was subsequently converted to a joint-stock co-operative enterprise in July 1997 and to a limited company in December 2004. In September 2009, he established 佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd.*) (“JiaChen Floor”), the principal operating subsidiary of the Group. Mr. Shen studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2006 to July 2010 and obtained a graduation diploma in July 2010.

Mr. Shen is the spouse of Ms. Zhang Yaying, the father of Mr. Shen Minghui, the father-in-law of Ms. Liu Hui and the uncle of Ms. Zhang Lingyan.

Mr. Chen Shiping (陳仕平) (“Mr. Chen”), aged 59, joined the Group in September 2009 and is currently the chief executive officer, an executive Director and the general manager of the Group. He was appointed as an executive Director on 19 June 2019. He is also a member of the nomination committee. He is responsible for the overall daily management and operation of the Group. Mr. Chen has over 20 years of experience in access flooring manufacturing industry. Mr. Chen was the head of manufacturing plant of 常州三井高田汽配廠 (Changzhou San Jing Gao Tian Automobile Parts Factory*) from August 1984 to September 1999. He then joined 無錫英特地板公司 (Wuxi Ying Te Flooring Co., Ltd.*) as a deputy general manager from October 1999 to August 2009. Mr. Chen studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2005 to July 2009 and obtained a graduation diploma in July 2009.

Mr. Shen Minghui (沈明暉) (“Mr. Shen MH”), aged 36, is an executive Director. Mr. Shen MH joined our Group since May 2003. He was appointed as a Director on 7 July 2017 and was redesignated as an executive Director on 19 June 2019. He is responsible for overseeing the general matters of the Group. He has been the deputy general manager of JiaChen Floor since September 2009. He is the supervisor of 常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) and 常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*), indirect wholly-owned subsidiaries of the Group and a director of a number of subsidiaries of Group. Mr. Shen MH was a deputy general manager of Jiachen Machinery Plant from May 2003 to August 2009 and was responsible for supervising the manufacturing and production of the products. Mr. Shen MH attended 西南大學 (Xinan University*) to study marketing from March 2013 to July 2015 and obtained a graduation diploma in July 2015.

Mr. Shen MH is the spouse of Ms. Liu Hui, the son of Mr. Shen and Ms. Zhang Yaying and the cousin of Ms. Zhang Lingyan.

* For identification purposes only

Ms. Liu Hui (劉會) (“Ms. Liu”), aged 36, joined the Group as a procurement manager of JiaChen Floor from September 2009 to February 2020. She was appointed as the deputy general manager of JiaChen Floor in March 2020 and promoted as an executive Director with effect from 2 July 2020. Ms. Liu is responsible for overseeing the management, procurement and oversea sales of the Group. She studied e-commerce in 常州市職工大學 (Changzhou Occupational University*) from September 2002 to July 2005 and obtained a graduation diploma in July 2005.

Ms. Liu is the spouse of Mr. Shen MH, the daughter-in-law of Mr. Shen and Ms. Zhang Yaying and the cousin-in-law of Ms. Zhang Lingyan.

Independent Non-Executive Directors

Mr. Ma Ving Lung (馬詠龍) (“Mr. Ma”), aged 51, joined the Board as an independent non-executive Director in December 2019. He is the chairman of the audit committee and a member of the nomination committee. He is primarily responsible for providing independent advice to the Board. Mr. Ma graduated from York University, Ontario, Canada in November 1995 with a bachelor degree (with honours) in administrative studies. He has been a member of American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants since July 2000 and October 2000, respectively, and a fellow member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants since September 2010 and July 2017 respectively.

Mr. Ma has been the qualified accountant of Zhaojin Mining Industry Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1818) since August 2007. He was the company secretary and qualified accountant of Shanxi Changcheng Microlight Equipment Co., Ltd., a company listed on GEM of the Stock Exchange (stock code: 8286) during the period from June 2002 to March 2005. He was the financial controller, company secretary, authorized representative, member of audit committee and qualified accountant of Vitop Bioenergy Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1178) (now known as Huiyin Holdings Group Limited) during the period from August 2000 to April 2002.

Mr. Ma was an independent non-executive director of Hengli Commercial Properties (Group) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 169) (now known as Wanda Hotel Development Company Limited) from November 2007 to July 2013.

Mr. Yu Chun Kau (余振球) (“Mr. Yu”), aged 48, was appointed as an independent non-executive Director on 23 December 2019. He is primarily responsible for providing independent advice to the Board. He is a member of the audit committee and chairman of the remuneration committee.

Mr. Yu has over 25 years of experience in the accounting, corporate finance, compliance and auditing. He started his career at a major international accounting firm in 1994 and then worked for various Hong Kong listed companies and multinational corporations as executive director, chief financial officer and company secretary. Mr. Yu has been an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) since December 2017 and an independent non-executive director of Forward Fashion (International) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2528) since December 2019. He is the chief financial officer of Jacobson Pharma Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2633) since January 2019.

Mr. Yu graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree with first class honours in December 1994. In June 2005, he also obtained a Master of Corporation Governance Degree from The Open University of Hong Kong. Mr. Yu was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and was registered as a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager in the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Institute of Chartered Secretaries and as a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Ms. Shi Dongying (施冬英) (“Ms. Shi”), aged 46, joined the Board as an independent non-executive Director in December 2019. She is the chairlady of the nomination committee and a member of each of the audit committee and the remuneration committee. She is primarily responsible for providing independent advice to the Board.

Ms. Shi graduated from 中央廣播電視大學 (Zhongyang Broadcast and Television University*) and obtained a bachelor degree in accountancy in January 2014. She obtained intermediate qualification in Accountancy Profession in May 2009 and was registered as a non-practising member of The Chinese Institute of Certified Public Accountants in March 2014.

Ms. Shi has been the deputy chief executive of Nantong Composite Material Co., Ltd since November 2015 and is responsible for overall management and administration. Starting from May 2016, she is the executive director, compliance officer, authorised representative and chairman of risk management committee of MEIGU Technology Holding Group Limited (stock code: 8349), a company listed on GEM of the Stock Exchange. She was the head of the accounting department of 南通三鑫電子科技股份有限公司 (Nantong Sancon Electric Technology Corporation*) from March 2006 to October 2015 and the accountant of 海門棉麻加工廠 (Haimen Cotton & Hemp Processing Plant*) from August 1993 to May 2005.

Save as disclosed, none of the above Directors held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Senior Management

Mr. Li Wen Tao (李文韜) (“Mr. Li”), aged 38, joined the Group in June 2019 as the company secretary. Mr. Li is an associate of Institute of the Chartered Accountants in England and Wales since February 2013 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. Li obtained his Bachelor of Business Administration (Major in Accountancy) from Hong Kong Lingnan University in November 2004. He established Nova, CPA & Company in 2013 and accumulated extensive experience in auditing, accounting, financial management and corporate governance over a period of 16 years. He is currently the chief financial officer of Modern Chinese Medicine Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1643).

Ms. Zhang Yaying (章亞英) (“Ms. Zhang”), aged 57, has been the deputy general manager of Jiachen Floor since September 2009 and is responsible for overseeing the raw material purchasing. She was also the deputy general manager of Jiachen Machinery Plant since September 1991 and was responsible for raw material purchasing until December 2016. Ms. Zhang was appointed as a Director on 7 July 2017 and was re-designated as an executive Director on 19 June 2019. She subsequently resigned as an executive Director with effect from 2 July 2020 due to her desire to focus on the daily operations of the Group.

Ms. Zhang brings to the Group more than 28 years of experience in the access flooring manufacturing industry. Ms. Zhang studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2008 to July 2012 and obtained a graduation diploma in July 2012.

Ms. Zhang is the spouse of Mr. Shen, the mother of Mr. Shen MH, the mother-in-law of Ms. Liu and the aunt of Ms. Zhang Lingyan.

Ms. Zhang Lingyan (章玲燕), aged 41, has been the office manager of general office of JiaChen Floor since September 2009 and is responsible for general administration matters. She is also the supervisor of JiaChen Floor since December 2017. Prior to that, she was the assistant treasurer of Jiachen Machinery Plant from February 1999 to August 2009 where she was responsible for financial matters.

Ms. Zhang Lingyan obtained a certificate of accounting profession issued by 常州市武進區財政局 (Changzhou Wujin District Finance Bureau*) in September 2004 and a certificate of registration of associate constructor issued by 江蘇省住房和城鄉建設部 (Jiangsu Province Ministry of Housing and Urban-Rural Development*) in October 2014.

Ms. Zhang Lingyan graduated from 常州物資學校 (Changzhou Resources School*) and obtained a certificate in financial accounting in July 2004. She graduated with a high diploma in accounting and a bachelor’s degree in civil engineering from 西南大學 (Xinan University*) in July 2013 and in January 2016, respectively.

Ms. Zhang Lingyan is the niece of Mr. Shen and Ms. Zhang, the cousin of Mr. Shen MH and the cousin-in-law of Ms. Liu.

Background

With the growing consciousness and importance of sustainability, the Group takes this opportunity to scrutinise management practices that are material to the stakeholders, for example, environmental protection, product quality and employee care.

This report is prepared with reference to the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report aims to improve stakeholders’ understanding and to introduce ongoing sustainability initiatives directed towards the fulfilment of the Group’s obligations to the society and the environment in which the Group operates.

Unless otherwise stated, the quantitative environmental data, employment and labour practices, operating practices and community participation mentioned in this report covers the workshop-based operations in China for the period from 1 January 2020 to 31 December 2020.

Through this Environmental, Social and Governance (“ESG”) Report, the Group makes public and detailed disclosure and elaboration of ESG and other non-financial matters of the Group. It is intended that the report disclosures would provide an opportunity to review the Group’s ESG performance and governance achievements, as well as serving as a platform for the public to understand the Group’s social responsibility values and non-financial business achievements.

The report has complied with all “comply or explain” provisions and reported on selected recommended disclosures outlined in the ESG Guide.

Overall Approaches and Policies

The Group has been persistently creating economic benefits, promoting business development and performing its corporate social responsibility so as to strike a balance between all parties, while advocating corporate integrity in its pursuit of sustainable development. For sustainable development, the Group is committed to:

- ensuring compliance with laws, regulations and standards applicable to our operations in an ethical and transparent manner;
- maintaining a long-term and sustainable relationship by listening to the voice of the community to understand the social needs;
- establishing and maintaining open and transparent communications with local communities and the public on matters regarding safety, environment and community relationship; and
- protecting the integrity, health, and benefits of stakeholders on issues such as cooperation and respect for employees, communities and environment, for the sake of being recognized as a company with sustainable development.

Stakeholder Engagement

The Board values the stakeholders and their feedback with regard to the Group’s business and ESG aspects. With the goal to strengthen the sustainability approach and performance, the Group put effort in maintaining a close communication with the key stakeholders, including government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public.

A. Environmental

Emissions***Air emissions and greenhouse gas (“GHG”) emissions***

The Group is engaged in manufacturing and sales of access flooring products and provide related installation services. During the manufacturing process, the Group would consume electricity for the manufacturing operation and powering the equipment and machinery. Carbon dioxide or greenhouse gas would be indirectly produced when the Group consumes electricity.

The main source of the Group’s greenhouse gas emissions is derived from direct emission from the mobile combustion sources (“Scope 1”), indirect emission from acquired electricity (“Scope 2”) and other indirect emissions (“Scope 3”).

Type of emission	Unit	Emission 2020	2019
Air emissions			
Nitrogen oxides	kg	26.2	28.4
Sulphur oxides	kg	0.1	0.6
Respiratory suspended particles	kg	1.9	2.1
GHG emissions			
Scope 1	Tonne of CO ₂ e	2,365	2,784
Scope 2	Tonne of CO ₂ e	2,500	2,904
Scope 3	Tonne of CO ₂ e	33	19
Total (Scope 1, 2 & 3)	Tonne of CO ₂ e	4,898	5,707
Emission intensity	Tonne of CO ₂ e per m ² of the factory area	0.17	0.2

The Group has implemented the policies to mitigate the adverse effect of carbon dioxide emission as follows:

- Maintenance check on exhausted gas management system and sewage management system is conducted on weekly basis;
- Air conditioners, office equipment and lightings are switched off when not in use;
- Maintain the indoor temperature of offices at 26°C;
- Repair leaking faucets or pipes when they are found; and
- duplex printings and reuse single-sided printed papers.

Solid waste management

The Group had conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. For the control of environmental pollution by solid waste pursuant to the “Environmental Protection Law of the People’s Republic of China”, “Water Pollution Prevention and Control Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”, “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Noise”, the Group operates an emission licence administration system with the following data:

	Unit	2020	2019
Non-hazardous waste	Tonne	445	426
Non-hazardous waste intensity	Tonne per million RMB of revenue	2.4	1.6
Hazardous waste	Tonne	30	33
Hazardous waste intensity	Tonne per million RMB of revenue	0.2	0.1

The Group has constantly kept up-to-date the local legislations and standards for environmental protection. During the year ended 31 December 2020, the Group was not aware of any incidents of non-compliance with applicable environmental laws and regulations.

Use of Resources

Energy and water consumption

The resources that the Group used consist of water consumption, electricity and raw materials. The main ingredients of the materials used contain electricity and water. The management has established the following policies for the efficient use of resources during production to reduce wastes:

- Provision of training and workshop for water-saving and reducing energy to all employee.
- Utilisation of environmental-friendly and energy-saving facilities and equipment.
- Implementation of a flexible production plan with the number of operating machines based on the quantity of products.
- Utilisation of green-saving LED lamps for maintaining efficiency.
- Supervision on the non-productive plant to ensure that the lights, fans and air-conditioners are turned off when not in use.
- Report on water usage with explanation on extra usage.
- Regular check on water pipes.

The consumption data recorded for the year ended 31 December 2020 are as below:

Resources	Unit	Consumption 2020	Consumption intensity (Per million RMB of revenue) 2020
Electricity	kWh	3,106,966	17,054
Water	tonne	8,754	48
Petrol	L	9,065	50
Diesel	L	34,549	190
Natural gas	m ³	745,921	4,094
Paper	kg	1,225	7

Packaging materials

The packaging materials used by the Group are primarily plastic wrapping films and carton boxes, of which the sizes are determined according to the requirements of different customers. Despite the use of packaging materials for the Group's products, the Group makes every effort to minimise the wastage of resources.

Packaging materials	Unit	Consumption 2020	Consumption intensity (Per million RMB of revenue) 2020
Paper materials and carton boxes	kg	87,759	482
Woods	kg	363,091	1,993
Plastic materials	kg	53,049	291
Metals	kg	4,084	22

Environmental and Natural Resources

To lower the environmental impact and consumption of natural resources, the management of the Group would evaluate the policies from time to time so as to create sustainable environmental value such as energy-saving initiative. The Group pursues the best practice for environmental protection. In addition to complying with related environmental laws and regulations and international standards for proper natural environment preservation, the Group has integrated the concept of environmental protection and natural resources conservation into its internal management and daily operations in order to achieve the aim of environmental sustainability.

B. SOCIAL

Employment**Labour practices**

To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People's Republic of China 《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China 《中華人民共和國勞動合同法》, the regulation of Insurance for Labour Injury 《工傷保險條例》, the Unemployment Insurance Law 《失業保險條例》 and other relevant laws and regulations.

Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

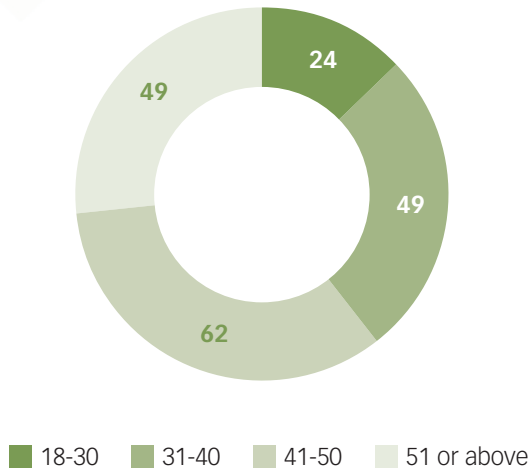
Social activities such as annual dinner, team building and other social events are organized for employees to participate so as to increase their work-life balance and enhance the relationship with employees. Accommodation and meals are also provided for the employees.

Anti-discrimination and equal opportunity

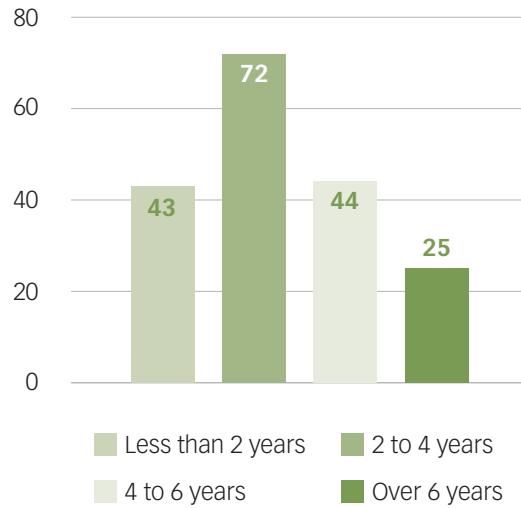
A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, gender, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group encourages labour diversity and welcomes all manpower, thus putting the principle of fairness into practices. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 31 December 2020.

	No. of staff	Staff turnover rate
Total number of employees	184	33%
Gender		
Male	131	34%
Female	53	33%
Age Group		
18-30	24	30%
31-40	49	39%
41-50	62	40%
51 or above	49	20%
Service period		
Less than 2 years	43	53%
2 to 4 years	72	21%
4 to 6 years	44	38%
Over 6 years	25	15%

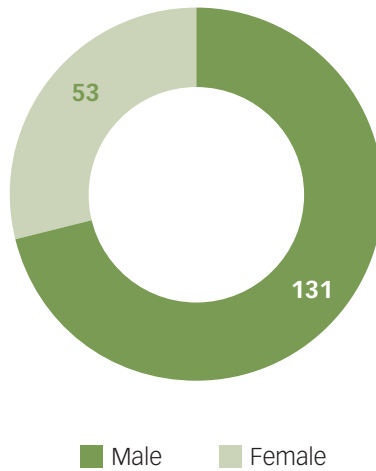
Age Group



Service period



Gender



For the year ended 31 December 2020, the Group has 184 (2019: 218) employees. The Group will continue to explore ways to improve employee turnover, enhance employee benefits and strengthen communication with employees. The male/female composition ratio of the Group is approximately 5:2. The difference in the composition can be explained by the difference in job nature. In addition, the Group welcomes any age range of people to join the Group as long as they are keen to learn and participate.

Health and Safety

The Group proactively works to reduce risk of injury and occupational health issues by establishing related management systems and organising safety training for its workforce.

The Group aims to ensure a safe occupational environment and manage health and safety risk at the production facilities. Warning signs are posted at prominent positions with potential health impacts, handling procedures and preventive measures. Personal protective equipment such as safety gloves, masks and safety goggles are provided and required at work. Evaluation of safety practices is conducted on a regular basis. During the year ended 31 December 2020, the Group was not aware of any non-compliance with laws and regulations relating to health and safety issues.

Protecting employee's occupational health and safety is critical for the Group. The Group complies with the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 and the regulation of Insurance for Labour Injury 《工傷保險條例》 with respect to occupational safety and health and other applicable regulations for a healthy and comfortable working environment.

Occupational health and safety statistics	2020	2019
Number of lost days due to work injury	74	87
Number of work-related fatalities	Nil	Nil
Number of work injuries	5	3

Development and Training

Keeping employees trained is part of a fundamental role in business growth and all employees are well trained with respect to their positions. The Group encourages employees for continuous development and improves their skill set through training. The Group provides various internal and external trainings for developing the workforce, including orientation and on-board trainings for new staff for them to adapt to the operation of the Group efficiently and strengthen the skills and knowledge required at work. On job training is provided for workers while specific management training is provided to managers and officers. There are also regular annual appraisals to assess staff performance with their supervisors.

The training details of the staff for the year ended 31 December 2020 is stated as follows:

	No. of staff attended training	Percentage of staff attended training	Average training hours completed
By Gender			
Male	67	51%	11
Female	37	70%	11
Age Group			
18–30	17	71%	8
31–40	37	76%	12
41–50	28	45%	12
51 or above	22	45%	9

Labour Standards

Under the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, child labour and forced labour is strictly forbidden at all times. Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law. For the year ended 31 December 2020, there was no labour dispute in the Group.

Supply Chain Management

Leveraging on stringent supply chain management, the Group ensures good product quality and maintains the Group's competitiveness in the market. The Group also strives to ensure that suppliers provide sufficient after-sales services, being one of the prerequisites of the business relationship. Additionally, the Group requests its suppliers to comply with relevant legislation when supplying goods and services to the Group. The Group conducts annual evaluations of its suppliers to ensure that quality is maintained, and that prices paid for goods and services provided remain competitive. Any suppliers who are not up to standard would be subject to re-evaluation before making further business dealings.

In order to enhance the sustainability of the supply chains and minimize carbon footprints, the Group manages to source raw materials locally. In 2020, the Group had 62 suppliers with about 89% and 11% of the suppliers located in Jiangsu province and the provinces and cities nearby, respectively.

Product Responsibility

The policies which the Group has adopted to ensure customer satisfaction and product quality include the ability to exchange defected products, checking the materials before production and returning any defected materials to the suppliers immediately. Before products leaving the warehouse, there is another inspection for quality. There is also a one-year warranty provided for the customers. For the year ended 31 December 2020, no product was returned due to safety or quality problems nor complaint was received from customers.

The Group obtained the ISO 9001 certification back in 1996. Production site of the Group is certified with ISO 9001:2015 Quality Management System in 2017. To ensure on-going compliance with the requirements listed in ISO 9001, evaluations on the performance are carried out at least once a year. The Group's products are in full compliance with Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》.

As for ensuring the service quality, The Group has set up the quality control department for responding the customer's requirements. The quality control department has established a system for the prevention of unauthorised service provided, supervision in the installation service and indemnity from suppliers of installation services.

Privacy protection

In order to protect consumer data and privacy, client information is kept confidential by the sales department and only authorized staff can access the information. The Group collects information from suppliers and customers for different purposes and takes appropriate procedures to ensure that the information collected are solely for lawful and relevant purposes. The Group sets out data privacy requirements in the company policies, under which customers' and suppliers' data would be used exclusively for matters relating to the Group's operation only. The Group strives to ensure that all collected data is refrained from unauthorized or accidental access, processing, erasure or other use.

During the year ended 31 December 2020, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, labelling and privacy matters relating to products.

Anti-Corruption

A system with good moral integrity and anti-corruption mechanism is the cornerstone for a sustainable and healthy development of the Group and therefore, the Group is committed to the compliance with the Criminal Law of the People's Republic of China 《中華人民共和國刑法》, the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》 and other relevant laws and regulations. The Company's policy provides guidance on employees' behaviours, for example, the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. Any unethical behaviours are strictly prohibited in the Group. Whistleblowing policy is also in place to encourage employees reporting on any unethical behaviours and suspicious practices of corruption to the general manager directly. The Board would report the cases to the relevant authorities if the case is found to be sufficiently supported with evidence.

During the year ended 31 December 2020, the Group was not aware of any non-compliances with anti-corruption and money laundering.

Community Investment

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- Assessment will be taken on how to give business activities to the interests of the community; and
- The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

During the year ended 31 December 2020, the Group donated about RMB90,000 to support the charity organisations and educational institutions in the local community of Jiangsu province.

Corporate Governance Practices

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

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

Board of Directors

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for day to day management of the Company which is delegated to the management. To this end, monthly financial and operational information are provided to the Board for assessing the performance of the Company and its subsidiaries. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and
- (e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Board currently comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. Two independent non-executive Director have the appropriate professional accounting qualifications or related financial management experience and expertise. Each of the Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the date of Listing or the appointment date which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to the Company not less than one month's prior notice in writing.

The relationship of the chairman of the Board, Mr. Shen and two executive Directors, namely, Mr. Shen MH and Ms. Liu, is the son of Mr. Shen and the daughter-in-law of Mr. Shen respectively. And Ms. Lin is the spouse of Mr. Shen MH. Other than those, there is no financial, business or other material/relevant relationships among members of the Board.

In accordance with article 108(a) of the articles of association of the Company, at each annual general meeting, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Article 112 of the articles of association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Shen MH, Ms. Liu and Ms. Shi will retire from office as Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company have been duly considered. The Board considers that all the independent non-executive Directors are independent and each of the independent non-executive Directors has confirmed in writing his independence to the Company pursuant to Rule 3.13 of the Listing Rules.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Board Diversity Policy

The Board recognizes and embraces the benefits of having a diverse Board to enhance its performance and to achieve a sustainable and balanced development. The Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that selection of Board candidates should be based on a range of different considerations, including but not limited to professional experience, skills, gender, age, cultural and educational background, ethnicity and length of service. When identifying potential candidates to the Board, the nomination committee and the Board will, among others, (i) consider the current level of representation of women on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board and senior management; (ii) consider the criteria that promotes diversity by making references to the code of practices on employment published by the Equal Opportunities Commission from time to time; and (iii) communicate the board diversity policy to the nomination committee and encourage a cooperative approach to ensure diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate selection of Board candidates will be based on merit and potential contribution to the Board with reference to the board diversity policy as a whole.

Nomination Policy

The Board has adopted a director nomination policy (the "Nomination Policy") in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the nomination committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy"), a summary of which is disclosed as below.

Subject to the approval of the Shareholders and compliance with relevant legal requirements, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group, after taking into account the factors as detailed below and determined by the Board from time to time. The remaining net profits will be used for Group's development and operations. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

In proposing any dividend payout, the Board shall also take into account, inter alia, (i) the Company's actual and expected financial performance; (ii) retained earnings and distributable reserves of the Group; (iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; and (iv) the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company.

Any final dividend declared by the Company must be approved by an ordinary resolution of the Shareholders of the Company at an annual general meeting and must not exceed the amount recommended by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director so as to ensure that he or she is sufficiently aware of his or her responsibilities under Listing Rules and other relevant regulatory requirements.

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system and in this regard, the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditor and/or law firms in Hong Kong. The Group would provide funding to all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group's business and to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, all Directors had participated in the following professional development in the form of materials reading and participation in webcast during the year ended 31 December 2020:

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Mr. Shen	✓	✓
Mr. Chen	✓	✓
Mr. Shen MH	✓	✓
Ms. Liu (appointed on 2 July 2020)	✓	✓
Ms. Zhang (resigned on 2 July 2020)	✓	✓
Independent Non-executive Directors		
Mr. Ma	✓	✓
Mr. Yu	✓	✓
Ms. Shi	✓	✓

Board Meetings

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. The Company has complied with the code provision A1.1 of the CG Code in the year ended 31 December 2020. Details of the attendance of the Directors during the year ended 31 December 2020 are as follows:

	Attendance
Executive Directors	
Mr. Shen (<i>Chairman</i>)	4/4
Mr. Chen	4/4
Mr. Shen MH	4/4
Ms. Liu (appointed on 2 July 2020)	2/2
Ms. Zhang (resigned on 2 July 2020)	2/2
Independent Non-executive Directors	
Mr. Ma	4/4
Mr. Yu	4/4
Ms. Shi	4/4

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

Mr. Shen serves as the chairman of the Board and is responsible for overall business development strategy and overall management and major business decisions of the Group. Mr. Chen serves as the chief executive officer of the Company and is responsible for general management and day-to-day operation of the Group.

Audit Committee

The Company established an audit committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The audit committee comprises of three members, namely Mr. Ma, Ms. Shi, and Mr. Yu, all being independent non-executive Directors. Mr. Ma currently serves as the chairman of the audit committee.

The audit committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, the review of the Company's financial controls, risk management and internal control systems, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process. The audit committee is also responsible for performing corporate governance functions which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to review and monitor the code of conduct and compliance applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. The terms of reference setting out the audit committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Group's audited annual results in respect of the year ended 31 December 2020 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditor in respect of the year ended 31 December 2020.

The audit committee held two meetings during the year ended 31 December 2020, at which the audited annual results of the Group for the year ended 31 December 2019, the unaudited interim results of the Group for the six months ended 30 June 2020 and other matters related to the financial and accounting policies and practice were discussed and reviewed. The audit committee also reviewed the internal control review report prepared by the independent professional advisor and put forward relevant recommendations to the Board. In addition, the audit committee fulfilled its responsibilities in corporate governance and in monitoring the effectiveness of the auditing process and the independence of the auditor at the meetings held during the year ended 31 December 2020. Individual attendance of each committee member at the meetings during the year ended 31 December 2020 is as follows:

	Attendance
Mr. Ma (<i>Chairman</i>)	2/2
Ms. Shi	2/2
Mr. Yu	2/2

Remuneration Committee

The Company established a remuneration committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The remuneration committee comprises of three members, namely Mr. Shen, an executive Director, Mr. Yu and Ms. Shi, both being independent non-executive Directors. Mr. Yu currently serves as the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations on the remuneration of the Directors and senior management to the Board and to review the overall remuneration policy and structure relating to the Directors and senior management. The terms of reference setting out the remuneration committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the remuneration committee should meet at least once a year. During the year ended 31 December 2020, the remuneration committee held two meetings, at which the Group's overall remuneration practices and scale and other remuneration-related matters in respect of the Directors and senior management were discussed and reviewed. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Mr. Yu (<i>Chairman</i>)	2/2
Mr. Shen	2/2
Ms. Shi	2/2

Remuneration payment made to senior management of the Group for the year ended 31 December 2020 falls within the following bands:

Remuneration Band (RMB)	Number of individuals	
	2020	2019
Nil to RMB500,000	3	2

Nomination Committee

The Company established a nomination committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The nomination committee comprises of three members, namely Mr. Chen, an executive Director, Ms. Shi and Mr. Ma, both being independent non-executive Directors. Ms. Shi currently serves as the chairlady of the nomination committee.

The primary duties of the nomination committee are to review the structure, size and composition of the Board; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; review the time commitment required of the Directors and evaluate whether the Directors have committed adequate time to discharge their responsibilities; review and implement the Nomination Policy; and make recommendations to the Board on relevant matters regarding the appointment or re-appointment of Directors. The terms of reference setting out the nomination committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the nomination committee should meet at least once a year. During the year ended 31 December 2020, the nomination committee held two meetings, at which the structure, size and composition (including the skills, knowledge and experience) of the Board members were reviewed. It also assessed the independence of the independent non-executive Directors and recommended the re-election of the retired Directors at the annual general meeting of the Company. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Ms. Shi (<i>Chairlady</i>)	2/2
Mr. Chen	2/2
Mr. Ma	2/2

Compliance Adviser

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Dakin Capital Limited as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Board in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (3) where the use of the net proceeds of the Global Offering differs from that detailed in Prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in the Prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The term of the appointment for the compliance adviser commenced on the date of Listing and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date.

Company Secretary

The company secretary of the Company (the "Company Secretary") supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Li Wen Tao was appointed as the Company Secretary on 19 June 2019. He has complied with all the required qualifications, experiences and training requirements under the Listing Rules.

Directors' and Auditor's Responsibilities for Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditors' report on pages 51 to 56 of this report.

Auditors' Remuneration

For the year ended 31 December 2020, remuneration paid/payable to auditors for audit services is approximately RMB926,000 (2019: RMB704,000).

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, all Directors confirmed that they had complied with the code of conduct regarding the dealings in securities during the year ended 31 December 2020. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the year ended 31 December 2020 and up to the date of this report.

Risk Management and Internal Control

The Board has overall responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Group's systems of risk management and internal control include a defined management structure with limits of authority, which are designed to help to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The division/department head of the Group is accountable for the conduct and performance of such segment within the agreed strategies, which are set by themselves and the Board together, and reports directly to the Board.

In the course of conducting the business of the Group, it is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and it has delegated to executive management to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

The risk management process of the Group will involve, among others, (i) an annual risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans and fine tuning of the implementation plan when necessary.

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. Throughout the year ended 31 December 2020, the Group complied with the code provisions on internal control and risk management. In particular, the Group appointed an independent internal control consultant to carry out a review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions for the year ended 31 December 2020. The Directors were satisfied that the internal control systems as appropriate to the Group for the year ended 31 December 2020 were implemented properly and that no significant areas of weaknesses came into attention.

The Group has adopted the policy to comply with the requirements of Securities and Futures Ordinance (the "SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that the information contained in announcements are not false or misleading through presentation of information in a clear and fair manner.

Investor Relations

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

The Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company. In addition, the Shareholders have the right to nominate a person to stand for election as a director at any general meeting by lodging a written notice to the Company.

In accordance with Provision E.1.2 of the CG Code, attendance of members of the Board to the AGM held on 19 June 2020 is as follows:

	Attendance
Executive Directors	
Mr. Shen	✓
Mr. Chen	✓
Ms. Zhang (resigned on 2 July 2020)	✓
Mr. Shen MH	✓
Ms. Liu (appointed on 2 July 2020)	–
Independent Non-executive Directors	
Mr. Ma	✓
Mr. Yu	✓
Ms. Shi	✓

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals at Shareholders' Meetings

The Shareholders may put forward proposals at general meetings by requisitioning an extraordinary general meeting. Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings may be convened by the Board on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Directing Shareholders' Enquiries to The Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address: 22/F, 3 Lockhart Road
Wanchai, Hong Kong
Tel: 3180 7862
Fax: 3180 7892
E-mail: info@jiachencn.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

Communication with Shareholders

The Board has adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims to set out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company. The Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

- (a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website and the Company's website;
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (c) corporate information is made available on the Company's website;
- (d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

Constitutional Documents

The amended and restated memorandum and articles of association of the Company were adopted on 19 December 2019 to comply with the relevant provisions of the Listing Rules.

A copy of the memorandum and articles of association of the Company is posted on the designated website of the Main Board of the Stock Exchange and the website of the Company.

There was no change in the memorandum and articles of association of the Company in the year ended 31 December 2020.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2020.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 7 July 2017.

The Company completed the corporate reorganisation (the "Reorganisation") on 15 March 2018 in preparation for the listing of its shares (the "Shares") on the Main Board of the Stock Exchange, pursuant to which the Company became the holding company of the companies now comprising the Group.

Since 17 January 2020, all the 1,000,000,000 Shares in issue have been listed on the Main Board of the Stock Exchange.

Principal Activities

The Group is principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 2 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 31(a) to the consolidated financial statements of this annual report.

Distributable Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 60 of this annual report.

The Company's reserves available for distribution to the shareholders as at 31 December 2020 amounted to approximately RMB218,254,000 (2019: approximately RMB134,538,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 144 of this annual report.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Shen Min (*Chairman*)

Mr. Chen Shiping (*Chief Executive Officer*)

Mr. Shen Minghui

Ms. Zhang Yaying

(Resigned on 2 July 2020)

Ms. Liu Hui

(Appointed on 2 July 2020)

Independent Non-executive Directors:

Mr. Ma Ving Lung

Mr. Yu Chun Kau

Ms. Shi Dongying

In accordance with article 108 (a) and (b) of the articles of association of the Company, Mr. Shen Minghui, Ms. Liu Hui and Ms. Shi Dongying will retire from office as a Director at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

Each of the independent non-executive Directors has confirmed in writing his/her independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent to the Company.

Directors' Service Contracts

None of the Directors proposed for election at the forthcoming annual general meeting has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Apart from the contracts and agreements relating to the Reorganisation and saved as disclosed in this report, there was no transaction, arrangement or contract of significance to which the Company or any related companies (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in 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 are 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")	Interest in a controlled corporation ^(Note 2)	377,625,000	37.76%
	Interest of spouse ^(Note 3)	231,375,000	23.14%
		609,000,000	60.90%
Mr. Shen Minghui ("Mr. Shen MH")	Interest in a controlled corporation ^(Note 4)	131,475,000	13.15%
Ms. Liu Hui ("Ms. Liu")	Interest of spouse ^(Note 5)	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 Yaying ("Ms. Zhang"), the spouse of Mr. Shen, owns 100% of the issued share capital of Xinchen Investment Limited ("Xinchen Investment"), which, in turn, holds 231,375,000 Shares. By virtue of the SFO, Mr. Shen is deemed or taken to be interested in all the Shares in which Ms. Zhang has, or is deemed to have, an interest for the purpose of the SFO.
- Mr. Shen MH owns 100% of the issued share capital of Yilong Investment Limited ("Yilong Investment"), which, in turn, holds 131,475,000 Shares. Accordingly, Mr. Shen MH is deemed to be interested in 131,475,000 Shares held by Yilong Investment by virtue of the SFO.
- Ms. Liu is the spouse of Mr. Shen MH. By virtue of the SFO, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Shen MH has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by all the shareholders of the Company 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 Directors (including independent non-executive directors) 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 shareholders 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.
- (h) The Scheme shall be valid for a period of 10 years commencing from 19 December 2019.

No share option has been granted since the adoption of the Scheme and there was no outstanding share option as at 31 December 2020.

Director's Rights to Purchase Shares or Debentures

Save as otherwise disclosed in this report, at no time during the year 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 year.

Equity-linked Agreements

Save as disclosed in this report, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares during the year.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2020, so far as is known to the Directors and chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in 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 or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/ Nature of interest	Number of shares ^(Note 1) held/ interested in	Percentage of interest in the Company
Jiachen Investment ^(Note 2)	Beneficial owner	377,625,000	37.76%
Xinchen Investment ^(Note 3)	Beneficial owner	231,375,000	23.14%
Ms. Zhang	Interest in a controlled corporation ^(Note 3) Interest of spouse ^(Note 4)	231,375,000 377,625,000	23.14% 37.76%
		609,000,000	60.90%
Yilong Investment ^(Note 5)	Beneficial owner	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. Xincheng 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 Xincheng Investment.
4. Mr. Shen, the spouse of Ms. Zhang, owns 100% of the issued share capital of Jiachen Investment, which, in turn, holds 377,625,000 Shares. By virtue of the SFO, Ms. Zhang is deemed or taken to be interested in all the Shares in which Mr. Shen has, or is deemed to have, an interest for the purpose of the SFO.
5. 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.

Save as disclosed above, as at 31 December 2020, no other persons (not being the Directors and chief executives of the Company) had any 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 or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to.

Connected Transactions and Continuing Connected Transactions and Related Party Transactions

During the year ended 31 December 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 35 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Major Customers and Suppliers

For the year ended 31 December 2020, sales to the Group's five largest customers accounted for 26.7% (2019: 25.2%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 8.0% (2019: 13.6%).

For the year ended 31 December 2020, purchases from the Group's five largest suppliers accounted for 26.5 % (2019: 44.6%) of the total purchases of raw materials and services of the Group, while the percentage of the total purchases of raw materials and services of the Group attributable to the Group's largest supplier was approximately 6.3 % (2019: 15.7%).

None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2020.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Permitted Indemnity Provision

During the year ended 31 December 2020 and up to the date of this report, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duties. The Company has arranged directors' and officers' liability insurance policy of the Company for the year ended 31 December 2020.

Competing Interests

The Directors confirm that none of the substantial shareholders, namely Mr. Shen, Jiachen Investment, Ms. Zhang, Xincheng Investment, Mr. Shen MH, Yilong Investment and Ms. Liu (the "Substantial Shareholders"), 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 year ended 31 December 2020 and up to the date of this report.

Deed of Non-Competition

All the Substantial Shareholders have entered into the Deed of Non-Competition in favour of the Company pursuant to which each of the covenantors has undertaken (for itself and for the benefit of each of the subsidiaries of the Group) that with effect from the Listing Date, they would not and would procure that none of their associates (except for any members of our Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in the PRC or such other places as the Group may conduct or carry on business from time to time including but not limited to the manufacturing and sale of access flooring products and provision of related installation services (the "Restricted Business").

Each of the Substantial Shareholders has further undertaken to the Company (for itself and for the benefit of each of the subsidiaries of the Group) that, with effect from the Listing Date, in the event that any of them and/or any of their associates (except any members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly, compete with the Restricted Business (the "Competing Business Opportunity") directly or indirectly to engage or become interested in a Restricted Business, they:

- shall promptly notify the Company in writing and refer such Competing Business Opportunity to the Company for consideration and provide such information as reasonably required by the Company in order to enable it to come to an informed assessment of such Competing Business Opportunity; and
- shall not, and shall procure their associates (other than members of the Group) not to, invest or participate in the Competing Business Opportunity unless the Competing Business Opportunity has been rejected by the Company and in respect of Competing Business Opportunity, the principal terms on which the Substantial Shareholders or their respective associates shall invest or participate are no more favourable than those made available to the Company.

Each of the Substantial Shareholders has further undertaken to the Company (for itself and for the benefit of each of the subsidiaries of the Group) that with effect from the Listing Date, they shall not and shall procure that none of their associates (except for any members of the Group) shall directly or indirectly:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of the Group to terminate his or her employment or consultancy (as applicable) with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or
- at any time employ any person who has been a director, manager, employee of or consultant to any member of the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of the Group, canvass, solicit or accept orders from or do business with any person with whom any members of the Group has done business or solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business to cease to deal with the Group or to reduce the amount of business which the person would normally do with the Group or seek to improve their terms of trade with any member of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Charitable Donations

During the year ended 31 December 2020, the charitable and other donations made by the Group amounted to approximately RMB90,000 (2019: Nil).

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Business Review

A fair review of the business of the Company, a description of the principal risks and uncertainties facing the Company, an indication of likely future development in the Company's business as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 5 to 16 of this annual report. A discussion on the Company's environmental policies and performance and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and an account of the Company's key relationships with its employees, customers and suppliers and other that have a significant impact on the Company and on which the Company's success depends are set out in the Environmental, Social and Governance Report on pages 21 to 29 of this annual report. These discussions form part of this report.

Corporate Governance

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 30 to 41 of this annual report.

Material Events After The Reporting Period

Saved as disclosed in note 40 to the consolidated financial statements, there is no other significant event occurred after the reporting period of the Group.

Auditor

The consolidated financial statements for the year ended 31 December 2020 have been audited by Crowe (HK) CPA Limited ("Crowe"). Crowe shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the Listing Date.

On behalf of the Board

Chen Shiping

Executive Director

Hong Kong, 26 March 2021



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JIACHEN HOLDING GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JiaChen Holding Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

The Key Audit Matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p><i>(Refer to Notes 3(t)(i), 4(b)(i) and (vi), and 6 to consolidated financial statements)</i></p> <p>The Group's principal activities are manufacturing, sale and/or installation of the access flooring plates. The terms of the sales contracts are complex and the performance obligations, that are promised in the sales contracts and capable of being distinct and separately identifiable, mainly included supply of access flooring plates and/or installation services. The sales contracts also contain product assurance warranty clauses, which are mainly related to agreed-upon product function specification and with expiring dates falling within 1 to 2 years after the control of the promised access flooring plates and/or installation services were transferred to the customers. Revenue was recognised when the control of the access flooring plates and/or the installation services have been transferred to the customers, over time or at a point in time. The progress towards complete satisfaction of the performance obligations are based on direct measurement of the actual quantities of the access flooring plates that were delivered to and accepted by the customers or installed onto the customers' properties, depending on the types of the sales contracts, using the output method.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.</p>	<p>Our procedures in relation to the revenue recognition mainly included:</p> <ul style="list-style-type: none"> a) Testing and evaluating the effectiveness of the key internal controls relating to the management's revenue recognition; b) Reading the terms of the sales contracts and evaluating the reasonableness for identifying and separating the performance obligations stipulated in the sales contracts, on a sample basis; c) Corroborating the relevant consideration and objective evidences used by the management in recognising the revenue, taking into consideration of the terms of the sales contracts, and testing the basis applied for the direct measurement of the quantities of the access flooring plates and/or installation services transferred to the customers, by reference to the underlying documents, including to but not limited to, delivery/shipping documents, status progress reports acknowledged by the customers or their authorised representatives, and the installation reports issued by the third party suppliers of the installation services; d) Testing the cut-off of revenue recognised for the access flooring plates and installation services transferred to the customers around the reporting period end; e) Obtaining the written confirmation replies directly from the customers for verifying the accuracy and completeness of the revenue recognised for the quantities of the access flooring plates and/or installation services transferred by the Group at the promised consideration during the year and the balances of trade and bills receivables and contract assets at the year end, on a sample basis; and f) Reviewing the adequacy of disclosures for the revenue made in the consolidated financial statements.

Key Audit Matters (Continued)

The key audit matter	How our audit addressed the key audit matter
<p>Impairment of trade and bills receivables and contract assets</p> <p><i>(Refer to Notes 3(j)(i), 4(b)(iii), 21(a), 22 and 38(a) to consolidated financial statements)</i></p> <p>At 31 December 2020, the Group's trade and bills receivables and contract assets amounted to approximately RMB119.4 million and RMB78.0 million, net of the allowance for lifetime expected credit losses ("ECL") of approximately RMB27.0 million and RMB2.2 million, respectively, and accounted for 30.2% and 19.7% of the Group's total assets, respectively.</p> <p>In the normal course of its ordinary business, the Group generally grants its customers with a credit period ranging from 60 to 365 days after billings. Contract assets represent the Group's rights to contract consideration for the promised access flooring plates and/or installation services transferred by the Group to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the access flooring plates and/or installation services transferred by the Group, other than on passage of time. When the rights to receipt of consideration for the performed obligations become unconditional, billings are issued to the customers and the contract assets are reclassified to trade and bills receivables. At 31 December 2020, contract assets also include retention monies, representing 3% to 10% of the consideration of the underlying contracts, of approximately RMB16.7 million retained by the customers and due for settlement only at the expiry date of the product assurance warranty period, usually within 1 to 2 years and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group. Contract assets share substantially the same risk characteristics of the trade and bills receivables for the same types of the sales contracts. The Group's customers are mainly the large property developers and state-owned enterprises in the PRC. The Group does not hold any collateral as security for the trade and bills receivables and contract assets. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after the year end.</p> <p>Loss allowances for trade and bills receivables and contract assets are measured at an amount equal to lifetime ECLs that are expected to result from all possible default events over the expected lives of the trade and bills receivables and contract assets. Lifetime ECLs on the trade and bills receivables and contract assets are estimated by reference to the collective risk characteristics of the customers, using a provision matrix based on the Group's historical credit loss experiences, as adjusted for current conditions at the reporting period end and forward looking information, factors specific to the debtors and general economic environment.</p> <p>We identified the impairment of trade and bills receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements and management's significant judgement and inherent estimation uncertainties are involved in determining the ECLs for trade and bills receivables and contract assets.</p>	<p>Our procedures in relation to the impairment of trade and bills receivables and contract assets mainly included:</p> <ul style="list-style-type: none"> a) Evaluating the effectiveness of the key internal controls relating to the management's trade debt collection and impairment assessment of trade and bills receivables and contract assets; b) Evaluating the past matrix rates of historic credit losses for the different ageing bands of due and past due days of trade and bills receivables and contract assets; c) Corroborating the relevant consideration and objective evidences used by the management in assessing the lifetime ECLs of trade and bills receivables and contract assets; d) Reviewing past payment history of the Group's customers, testing the settlements from and billings to the customers during the year and after the year end and evaluating the supporting documentation for the estimated future cash flows for the trade and bills receivables and contract assets; e) Checking the analysis of the ageing bands for different groupings of due and past due trade debts in the provision matrix, and challenging the reasonableness of the provision rates applied in the ECL model adopted by the management, taking into consideration of historical credit loss rates and forward-looking information specific to the debtors, current and future economic and market conditions which might have impacts on the customers' abilities to settle their trade debts to the Group in future; f) Evaluating the implications arising from any discrepancy on the debtor confirmations directly obtained from the customers, making enquiries with management of and reviewing the correspondences with the customers for identifying any potential disputes with the customers; g) Conducting searches on the customers, on a sample basis; and h) Reviewing the adequacy of disclosures for the ECLs on trade and bills receivables and contract assets that were made in the consolidated financial statements.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 26 March 2021

Leung Chun Wa

Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	6	182,178	270,859
Cost of sales		(144,422)	(202,542)
Gross profit		37,756	68,317
Other revenue and other net income	7	12,388	1,951
Selling and distribution expenses		(5,580)	(5,031)
Impairment of contract assets and trade and bills receivables	9	(15,464)	(5,778)
Reversal of impairment/(impairment) of other receivables	9	213	(323)
Administrative expenses		(22,493)	(28,358)
Profit from operations		6,820	30,778
Finance costs	8	(5,062)	(7,098)
Profit before taxation	9	1,758	23,680
Income tax	10	(970)	(4,389)
Profit and total comprehensive income for the year		788	19,291
Attributable to:			
Owners of the Company		744	19,100
Non-controlling interests		44	191
Profit and total comprehensive income for the year		788	19,291
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
Basic and diluted earnings per share	14	0.08	2.55

The notes on pages 63 to 143 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	15	29,394	28,061
Land use rights	16	7,867	8,040
Right-of-use assets	17	531	1,234
Other intangible assets	18	94	142
Long-term deposits and prepayments	19	55,000	–
Deferred tax assets	30(b)	5,059	2,739
		97,945	40,216
Current assets			
Inventories	20	30,959	29,585
Contract assets	21	77,963	61,115
Trade and bills receivables	22	119,381	193,804
Deposits, prepayments and other receivables	23	12,332	14,877
Restricted bank deposits	24	4,616	3,470
Cash and cash equivalents	25	52,599	16,414
		297,850	319,265
Total assets		395,795	359,481
Current liabilities			
Trade and bills payables	26	27,797	37,579
Contract liabilities	21	3,870	2,186
Accruals and other payables	27	17,966	31,936
Lease liabilities	28	883	827
Bank borrowings	29	71,000	113,368
Tax payable	30(a)	1,742	1,817
		123,258	187,713
Net current assets		174,592	131,552
Total assets less current liabilities		272,537	171,768
Non-current liabilities			
Lease liabilities	28	866	2,063
Net assets		271,671	169,705

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Equity			
Share capital	31(a)	8,856	–
Reserves	31	261,657	168,025
Equity attributable to owners of the Company		270,513	168,025
Non-controlling interests	32	1,158	1,680
Total equity		271,671	169,705

Approved and authorised for issue by the board of directors on 26 March 2021.

Shen Min
Director

Chen Shiping
Director

The notes on pages 63 to 143 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to owners of the Company					Total RMB'000	Non- controlling interests RMB'000 (Note 32)	Total RMB'000
	Share capital RMB'000 (Note 31(a) and (d))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(b))	Statutory reserve RMB'000 (Note 31(c))	Retained profits RMB'000			
At 1 January 2019	-	61,927	1,568	8,152	77,278	148,925	1,489	150,414
Profit and total comprehensive income for the year	-	-	-	-	19,100	19,100	191	19,291
Transfer of statutory reserve (Note 31(c))	-	-	-	1,981	(1,981)	-	-	-
At 31 December 2019 and 1 January 2020	-	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Issuance of new shares under capitalisation issue (Note 31(a) and (d))	6,642	(6,642)	-	-	-	-	-	-
Issuance of new shares under the Global Offering (Note 31(a) and (d))	2,214	115,128	-	-	-	117,342	-	117,342
Shares issuing costs (Note 31(d))	-	(16,164)	-	-	-	(16,164)	-	(16,164)
Effects arising from capital contribution to a partially-held subsidiary (Note 32)	-	-	9	-	557	566	(566)	-
Profit and total comprehensive income for the year	-	-	-	-	744	744	44	788
Transfer of statutory reserve (Note 31(c))	-	-	-	935	(935)	-	-	-
At 31 December 2020	8,856	154,249	1,577	11,068	94,763	270,513	1,158	271,671

The notes on pages 63 to 143 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Operating activities			
Profit before taxation		1,758	23,680
Adjustments for:			
Interest income	7	(1,066)	(1,038)
Finance costs	8	5,062	7,098
Impairment of contract assets and trade and bills receivables	9	15,464	5,778
(Reversal of impairment)/impairment of other receivables	23	(213)	323
Depreciation of property, plant and equipment	15	4,904	4,667
Depreciation of right-of-use assets	17	887	819
Amortisation of land use rights	16	173	173
Amortisation of other intangible assets	18	48	48
Net loss on disposal of property, plant and equipment	9	39	15
Operating profit before changes in working capital		27,056	41,563
(Increase)/decrease in inventories		(1,374)	1,421
Decrease/(increase) in contract assets, trade and bills and other receivables		39,096	(44,591)
Decrease in trade and bills payables		(9,782)	(10,329)
Decrease in other payables and contract liabilities		(11,816)	(933)
Cash generated from/(used in) operations		43,180	(12,869)
Tax paid	30	(3,365)	(7,050)
Cash generated from/(used in) operating activities		39,815	(19,919)
Investing activities			
Payment for acquisition of property, plant and equipment		(6,059)	(2,684)
Proceeds from disposal of property, plant and equipment		109	9
Payments of long-term deposits and prepayments of property, plant and equipment	19	(55,000)	–
Payment for acquisition of other intangible assets		–	(9)
Placement of restricted bank deposits		(1,146)	(1,135)
Interest received		270	115
Net cash used in investing activities		(61,826)	(3,704)

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financing activities			
Proceeds from issuance of new shares under the Global Offering	<i>31(a) and (d)</i>	117,342	–
Payment for costs of issuing new shares	<i>31(d)(i)</i>	(9,694)	–
Proceeds from bank borrowings	<i>36(a)</i>	129,000	120,849
Repayment of bank borrowings	<i>36(a)</i>	(171,368)	(85,765)
Payment for capitalised listing expenses		–	(3,662)
Proceeds of advances from a shareholder and director		–	21
Repayments of advances from shareholders and directors		–	(873)
Repayment of lease liabilities	<i>36(a)</i>	(1,325)	(790)
Interests paid	<i>36(a)</i>	(5,759)	(5,898)
Net cash generated from financing activities		58,196	23,882
Increase in cash and cash equivalents		36,185	259
Cash and cash equivalents at beginning of year		16,414	16,155
Cash and cash equivalents at end of year		52,599	16,414

The notes on pages 63 to 143 form an integral part of these financial statements.

1. Corporate Information

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

At 31 December 2020, the immediate and ultimate holding company of the Company was Jiachen Investment Limited (“Jiachen Investment”), a company incorporated in the British Virgin Island (the “BVI”) and wholly owned by 沈敏 (Mr. Shen Min) (“Mr. Shen”) who was regarded as the ultimate controlling party of the Group.

At 31 December 2019, there were 10,130 shares of the Company in issue, out of which, 50.34%, 30.85%, 17.54% and 1.28% were owned by Jiachen Investment, Xinchen Investment Limited (“Xinchen Investment”), a company incorporated in the BVI and wholly owned by 章亞英 (Ms. Zhang Yaying) (“Ms. Zhang” or “Mrs. Shen”) who is the spouse of Mr. Shen, and Yilong Investment Limited (“Yilong Investment”), a company incorporated in the BVI and wholly owned by 沈明暉 (Mr. Shen Minghui) (“Mr. Shen MH”), and Crystal Breeze Ventures Limited (“Crystal Breeze Ventures”), a company incorporated in the BVI, respectively. Mr. Shen MH is the son of Mr. Shen and Mrs. Shen.

On 16 January 2020, the Company issued 250,000,000 new shares of HK\$0.01 each at HK\$0.53 per offer share in the Global Offering in accordance with the Company’s Prospectus dated 31 December 2019 and on the same date, 749,989,870 new shares of HK\$0.01 each by capitalization of an aggregate amount of HK\$7,499,898.70 (or RMB6,642,000) out of the share premium account of the Company to its then existing shareholders (namely Jiachen Investment, Xinchen Investment, Yilong Investment and Crystal Breeze Ventures) immediately prior to 16 January 2020, on a pro rata basis. Since 16 January 2020 and up to the date of approval of the consolidated financial statements, 37.76%, 23.14% and 13.15% of the issued capital of the Company have been owned by Jiachen Investment, Xinchen Investment and Yilong Investment, respectively.

Since 17 January 2020, all the 1,000,000,000 shares of HK\$0.01 each of Company in issue have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Subsidiaries

The Company has direct and indirect interests in the following subsidiaries at 31 December 2020 and 2019:

Name	Principal activities	Country of incorporation	Place of business	Form of legal entity	Date of incorporation	Issued/registered and paid up capital	Effective interest held by the Company
Directly held by the Company							
LeiShuo Ventures Development Limited ("LeiShuo Ventures")	Investment holding	BVI	Hong Kong ("HK")	Limited liability company	18 July 2017	US\$1 (2019: US\$1)	100% (2019: 100%)
Rui Xing Holdings Limited ("Rui Xing Holdings")	Investment holding	BVI	HK	Limited liability company	5 July 2016	US\$1 (2019: US\$1)	100% (2019: 100%)
Indirectly held by the Company							
Jinyueda Development Limited ("Jinyueda Development")	Investment holding	HK	HK	Limited liability company	11 August 2017	HK\$1 (2019: HK\$1)	100% (2019: 100%)
Victor Best Investment Limited ("Victor Best Investment")	Investment holding	HK	HK	Limited liability company	30 June 2016	HK\$1 (2019: HK\$1)	100% (2019: 100%)
常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*) ("Changzhou Jingang")	Investment holding	PRC	PRC	Limited liability company	9 December 2017	RMB1,000,000 (2019: RMB1,000,000)	100% (2019: 100%)
常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) ("Changzhou Jintai")	Investment holding	PRC	PRC	Limited liability company	8 December 2017	RMB1,000,000 (2019: RMB1,000,000)	99% (2019: 99%)
佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd.*) ("JiaChen Floor")	Manufacturing and supply of steel access flooring plates and calcium-sulfate access flooring plates	PRC	PRC	Limited liability company	18 September 2009	RMB130,800,000 (2019: RMB61,580,000)	99.54% (2019: 99.01%)

Changzhou Jingang, being a wholly-owned subsidiary of Jinyueda Development and a wholly foreign-owned enterprise, directly holds 99% of the registered capital of Changzhou Jintai while Changzhou Jintai and Victor Best Investment, at 31 December 2020, directly hold 46.48% (2019: 98.73%) and 53.52% (2019: 1.27%) of the registered capital of JiaChen Floor, respectively.

JiaChen Floor is the core operating entity of the Group during the two years ended 31 December 2020 and 2019.

Changzhou Jingang, Changzhou Jintai and JiaChen Floor are registered as foreign-owned enterprise, domestic-owned enterprise and sino-foreign equity joint venture enterprise, respectively, under the applicable laws of the PRC. None of the subsidiaries had issued any debt securities at 31 December 2020 and 2019.

3. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period, details of which are set out in Note 41.

(b) Basis of preparation of the financial statements

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

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

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

3. Significant Accounting Policies (Continued)

(c) Changes in accounting policies

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

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

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from shareholders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

3. Significant Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 3(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) (i) Business combinations or assets acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. Significant Accounting Policies (Continued)

(e) (i) Business combinations or assets acquisitions (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets and liabilities, related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employees Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Significant Accounting Policies (Continued)

(e) (i) Business combinations or assets acquisitions (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated in consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 3(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold buildings	20 years
Plant and machinery	3–10 years
Furniture, fixtures and office equipment	3–10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

3. Significant Accounting Policies (continued)

(g) Intangible assets (other than goodwill)

The intangible assets with finite use lives are stated at cost less accumulated amortisation and impairment losses (Note 3(j)(ii)). Both the period and basis of amortisation of all intangible assets with finite useful lives are reviewed annually.

(i) Computer software

Computer software that is acquired by the Group is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (Note 3(j)(ii)). Computer software is amortised over its estimated useful life of 5 years.

(ii) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. Significant Accounting Policies (Continued)

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (Note 3(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant Accounting Policies (Continued)

(h) Leased assets (Continued)

The Group as a lessee (Continued)

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Land use rights

Land use rights are upfront payments to acquire long-term interests in the use of land. They are stated at cost less accumulated amortisation and any impairment losses. Costs of land use rights are amortised and charged to profit or loss over the remaining period of the lease on a straight-line basis.

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets

(i) **Credit losses from financial instruments and contract assets**

The Group recognises a loss allowance for lifetime ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and
- contract assets as defined in HKFRS 15(see Note 3(l)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments and contract assets (Continued)**

Measurement of ECLs (Continued)

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments and contract assets (Continued)**

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments and contract assets (Continued)**

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(t)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) **Credit losses from financial instruments and contract assets (Continued)**

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) **Impairment of other non-current assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- land use rights;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. Significant Accounting Policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. Significant Accounting Policies (Continued)

(l) Contract assets

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide service to the customer. A contract asset is recognised when the Group has the right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time (for example, the Group's future performance). A contract asset becomes a trade receivable when receipt of the consideration is conditional only on the passage of time.

The contract assets relate to unbilled work in progress and retention monies receivable and have substantially the same characteristics as the trade receivables for the same type of contracts. Impairment policy for trade receivables as explained in Note 3(j)(i) above also applies to contract assets.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 3(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 3(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3(w)).

3. Significant Accounting Policies (Continued)

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds (the "MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in profit or loss as and when incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognised restructuring costs involving the payment of termination benefits.

3. Significant Accounting Policies (Continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. Significant Accounting Policies (continued)

(s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when or as the control of the access flooring plates, installation services or repair services is transferred to the customer at the amount of promised consideration to which the Group is entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the access flooring plates, installation services or repair services may be transferred over time or a point in time. Control of the access flooring plates, installation services or repair services is transferred over time if the Group's performance:

- (i) provides the benefits received and consumed simultaneously by the customer;
- (ii) creates or enhances an asset that the customer controls as the Group performs; or
- (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the access flooring plates, installation services or repair services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on direct measurements of the value of access flooring plates, installation services or repair services transferred by the Group to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the access flooring plates, installation services or repair services.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

A contract asset is the Group's right to consideration in exchange for access flooring plates, installation services or repair services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to supply access flooring plates and/or to render the installation services to a customer for which the Group has received consideration from the customer.

The following is a description of the accounting policy for the revenue streams of the Group.

The Group obtains revenue mainly from supplying access flooring plates and/or providing installation services to the customers under the contracts entered into by the Group and the customers.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. To the extent the transaction price includes variable consideration, i.e. as a result of contract modifications, the Group estimates the amount of variable consideration that should be included in the transaction price based on the expected value to which the Group expects to be entitled. Variable consideration is included in the transaction price if, in the Group's judgement, it is highly probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are largely based on an assessment of the Group's anticipated performance and all information (historical, current and forecasted) that is reasonably available.

When determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group considers that there is no significant financing arrangement with the customers.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) **Revenue from contracts with customers (Continued)**

The Group has contracts bundled with two performance obligations, comprising supply of access flooring plates and provision of installation services, of which, the promises to transfer access flooring plates and installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the access flooring plates and installation services. The control of the access flooring plates and installation services are transferred to a customer over time only when the promised access flooring plates are installed onto the properties controlled by the contract customers. For those access flooring plates which are delivered to but are not yet installed onto the site properties controlled by that customers, the Group bears all their risks and retains their control, the customers do not receive and consume the benefits of these uninstalled access flooring plates or the value of assets under control of the customers are not enhanced and in accordance with the terms of the contracts, these uninstalled access flooring plates are not yet transferred to and not yet accepted by the customers, and accordingly, these uninstalled access flooring plates, which are still under control by the Group, are continued to be recognised as inventories of the Group at the reporting period end.

The progress towards complete satisfaction of performance obligations of contracts with bundled promises for supply of the access flooring plates and installation services are measured using the output method based on direct measurements of the quantities of access flooring plates having been delivered and installed onto the customers' properties by reference to the progress status reports acknowledged either by the customers, or their agents, and the installation reports issued by the third party suppliers of installation services, which install the Group's access flooring plates onto the properties controlled by the customers. The management of the Group considers that the output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

More specifically, revenue is recognised as follows:

- (1) Revenue from a contract with bundled performance obligations of supply of access flooring plates and installation services are recognised when the control of the access flooring plates and installation services are transferred to the customer over time, as the Group's performance of these contract obligations can either create or enhance the value of the site properties of the customer or the customer simultaneously receives and consumes the benefits when the Group performs over time, and is based on the direct measurement of the quantities of access flooring plates having been delivered to and installed onto the customer's properties by reference to progress status reports acknowledged either by the customer or its agent, and the installation reports issued by the third party suppliers of the installation services, which install the Group's access flooring plates onto the customer's properties.
- (2) Revenue from a sales contract with a single performance obligation of supply of access flooring plates is recognised when control of the access flooring plates is transferred to and accepted by the customer, which is taken at the point in time when (i) the customer accepts the delivery and takes physical possession of the access flooring plates delivered by the Group under a domestic sales contract, or (ii) the access flooring plates are delivered and loaded onto board of the vessels and the bill of lading is passed to the customer under an export sales contract.
- (3) Revenue from a contract with single performance obligation of providing installation services is recognised when the installation services are rendered by the Group and accepted by the customer by reference to the completion report certified by the customer.
- (4) Income from provision of after-sale repair services is recognised when the after-sale repair services are rendered by the Group and accepted by the customer, in accordance with the terms of the contract made with the customer. During the years ended 31 December 2020 and 2019, no after-sale repair service was rendered by the Group.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) **Revenue from contracts with customers (Continued)**

The Group's rights to consideration for the promised access flooring plates and installation services transferred by the Group to the customers under a contract but not yet billed, as the rights to receipt of consideration are still conditional on something other than on passage of time, are recognised as contract assets, and when the Group's rights to receipt of consideration from the customers become unconditional, the rights to consideration for contract obligations performed are transferred to trade receivables. Contract assets also include retention monies receivables, representing 3% to 10% of the contract price, retained by the customers and will be due for settlement only at the end of specified product assurance warranty period, usually within 1–2 years, and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group, in accordance with terms of the underlying contracts. The payment terms differ from contracts to contracts and are based on commercial negotiations made between the Group and the customers. Most of the payments are payable according to the specified milestone stage of performance of the contracts and with a credit term ranging from 60 to 365 days, based on the Group's evaluation on the creditworthiness of the customers. The payments are commensurate with the Group's performances and under the contracts, retention monies retained by the customers are intended for protection against non-performance. Other than the factoring arrangement for trade receivables in respect of Customer A, as referred to Note 22(a) below, to which the Group has allowed a credit period of 365 days after invoice date and from which the Group earns interest which is recognised as it accrues using the effective interest rate method (see (ii) below) on the trade receivables of Customer A over the credit period of 365 days at rates same as the prevailing interest rates of the related factored bank loans, the Group does not intend to give a financing to its other customers and the Group makes efforts to collect the receivables and timely monitors the credit risk.

The Group does not have any variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonus or royalties. Also, the contract modification rarely occurs, and the contract price finally confirmed by a customer upon completion of the project does not vary significantly from the original price. Trade receivables and contract assets expected to be recovered in one year or less, or within the time frame of the Group's normal business operating cycle, are classified as current asset.

There is no material incremental cost of obtaining contracts of the Group.

Cost of sales incurred comprised costs of access flooring plates manufactured, including the direct materials, direct labour, depreciation and other manufacturing overheads, costs of delivery of the access flooring plates to the contract customers' premise(s) or location(s) designated by the customers, costs of installing the access flooring plates onto the properties of the customers and transportation costs for delivering the access flooring plates to the sites designated by the customers, if applicable, under the terms of the contracts.

The Group records contract liability for non-refundable advance payment from customers before transferring the access flooring plates to the customers and, if applicable, before installing the floor plates to the properties of the customers since there is still performance obligation to complete. The contract liabilities are recognised as revenue when control of the access flooring plates and/or the installation services are transferred to the customers.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants and subsidies

Government grants and subsidies are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Government grants and subsidies that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants and subsidies that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they are incurred.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated. The functional currency of the Company and the Group is RMB. As the Group mainly operates in the Mainland China, RMB is used as the presentation currency of the Group.

(w) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. Significant Accounting Policies (Continued)

- (x) Related parties
 - (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Group's parent.
 - (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides management personnel services to the Group or to the Group's key parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Significant Accounting Policies (Continued)

(y) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the Group or the counterparty.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. Accounting Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the report amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of assets or liabilities affected in future:

(a) Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements.

(i) **Tax**

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group evaluates tax implications of transactions in accordance with prevailing tax regulations and make tax provisions accordingly.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax to be recovered.

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. The directors' assessment is constantly reviewed and deferred tax liabilities are adjusted when the results of assessment change.

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) **Revenue recognition – determination of performance obligations and the timing of satisfaction of performance obligations**

In making their judgements, the directors of the Company consider the detailed criteria for recognition of revenue set out in HKFRS 15. In determining performance obligations, the directors of the Company, based on the terms under the contracts, consider whether the contract customer benefits from each performance obligation on its own and whether it is distinct in the context of the contract. The consideration of contracts with bundled performance obligations is split into and determined for each of performance obligations, i.e. supply of access flooring plates and provision of installation services, with reference to the standalone contracts for supply of access flooring plates or provision of installation services.

Revenue is recognised when the control of the access flooring plates or installation services are transferred by the Group to the contract customers.

For the contracts bundled with performance obligations of supply of access flooring plates and installation services, the directors of the Company have determined that performance obligations are satisfied over time, as by fixing the access flooring plates onto the customer's site properties, control of the installed access flooring plates and installation services are transferred to the customers over the time, which can either create or enhance the value of the site properties controlled by the customers or the customers simultaneously receive and consume the benefits when the Group performs over time. The determination of the progress of the contract work involves judgements. The Group recognises revenue based on the direct measurement of the quantities of access flooring plates having been delivered and installed onto the customers' properties by reference to progress status reports acknowledged either by the customers or their agents, and the installation reports issued by the third party suppliers of the installation services, which install the Group's access flooring plates onto the customers' properties. The customers will provide the final completion reports when their whole projects are completed. Based on the historic experience with similar projects, there was no material difference in the quantities of works performed by the Group (in terms of the quantities of access flooring plates having been delivered and installed onto the customers' properties) between the final completion reports issued by the customers, accumulated progress status reports acknowledged either by the customers or their agents, and the installation reports issued by the third party suppliers of the installation services.

For a sales contract with supply of access flooring plates only, control of the access flooring plates is transferred to and accepted by the customer which is taken at the point in time when (i) under a domestic sales contract, the customer accepts the delivery and takes physical possession of the access flooring plates from the Group, or (ii) under an export sales contract, the access flooring plates are delivered and loaded onto board of the vessels and the bills of lading are passed to the customers.

In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group does not consider the arrangement with the customers to have any significant financing component.

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. These estimates used are based on the current market conditions and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to change in market conditions. Management reassesses these estimates at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment assessment for trade and other receivables and contract assets

The Group determines the provision for impairment of trade and other receivables and contract assets (including retention monies receivable) on a forward looking basis and lifetime ECLs are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates on the contract assets, trade and bills receivables at 31 December 2014, 2015, 2016, 2017 and 2018 and is adjusted for forward looking estimates. Other receivables are considered for 12-month ECLs unless there was significant increase in the credit risk of the debtors in which case, lifetime ECLs are recognised. Contract assets will be transferred to trade receivables when the contract work performed are satisfied by the customers, or in case of the retention monies receivable which are also included in contract assets, the warranty period expires when the customers are satisfied with the final quality of the access flooring plates transferred and/or installation performed, which is taken a point in time when the Group has unconditional right to receive payments from the customers under the contracts. The Group assesses that the contract assets (including the retention monies receivable) have substantially the same risk characteristics as the trade receivables for same types of contracts. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed bad debt rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

(iv) Depreciation and amortisation of property, plant and equipment and prepaid lease payments for land use rights

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. Prepaid lease payments for land use rights is amortised over the lease term on a straight-line basis. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

(v) Useful lives of right-of-use assets

The management determines the estimated useful life and basis for depreciation taking into account factors including but not limited to, contractual terms of respective lease contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for depreciation is a matter of judgment based on the experience of the Group. Management reviews the useful life and basis for amortisation of right-of-use assets annually and, if expectations are significantly different from previous estimates of useful economics life, the depreciation rate for future periods will be adjusted accordingly. Had different amortisation rates been used to calculate the depreciation of the right-of-use assets, the Group's result of operations and financial position could be materially different.

(vi) Product warranty

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the access flooring plates, which were sold by the Group, and control of access flooring plates were passed to the customers over time (which is taken as when the access flooring plates are installed onto the customers' properties or possession of the access flooring plates are accepted by the customers) or at a point in time, for a specified period of time normally falling between 1 to 2 years, on a contract by contract basis, after the control of access flooring plates were transferred to the customers under the relevant sales contracts. Management of the Group considered that the warranty clauses only provide the customers with assurance that the access flooring plates will function as the Group and the customers, being parties to the contracts, intended in accordance with the agreed-upon specifications and accordingly, the warranty clauses do not provide the customers with a service in addition to assurance that the access flooring plates comply with agreed-upon specifications. There were no significant costs incurred in the past for those access flooring plates after sales during the warranty period and at 31 December 2020. Management of the Group was not aware of any 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 sold to the customers.

(vii) Impairment of non-financial assets

The Group assess at each reporting period end whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value in use of the cash-generating-unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating-unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously.

5. Operating Segment Information

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

- Steel access flooring plates; and
- Calcium-sulfate access flooring plates.

(a) Segment results, assets and liabilities

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

- Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and bills payables, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.
- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

5. Operating Segment Information (Continued)

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

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

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

5. Operating Segment Information (Continued)

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

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

(c) Reconciliations of reportable assets and liabilities

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

5. Operating Segment Information (Continued)

(d) Information about major customer

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

	2020 RMB'000	2019 RMB'000
Steel access flooring plates: Customer A (Note 22(a))	N/A	36,738

N/A – not applicable. Revenue from Customer A was less than 10% of the Group's revenue for the year ended 31 December 2020.

(e) Geographical information

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

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

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

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

6. Revenue

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

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

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

7. Other Revenue and Other Net Income

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

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

8. Finance Costs

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	4,772	6,647
Loss on derecognition of financial assets upon factoring without recourse	184	319
Unwinding of finance costs on lease liabilities (<i>Note 28</i>)	106	132
	5,062	7,098

9. Profit Before Taxation

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

	2020 RMB'000	2019 RMB'000
Contract costs of goods sold and services rendered (<i>note (a)</i>)	144,422	202,542
Depreciation of property, plant and equipment (<i>Note 15</i>)	4,904	4,667
Depreciation of right-of-use assets (<i>Note 17</i>)	887	819
Amortisation of other intangible assets (<i>Note 18</i>)	48	48
Amortisation of land use rights (<i>Note 16</i>)	173	173
Impairment of trade and bills receivables (<i>Note 22(b)</i>)	14,565	5,741
Impairment of contract assets (<i>Note 21(a)(vi)</i>)	899	37
	15,464	5,778
(Reversal of impairment)/impairment of other receivables (<i>Note 23</i>)	(213)	323
Net loss on disposal of property, plant and equipment	39	15
Auditor's remuneration	926	704
Listing expenses:		
– Auditor	–	1,199
– Other professional fees	4,811	10,259
Operating lease charges in respect of properties and land use rights	166	325
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	12,351	10,844
– Contributions to defined contribution retirement plans	1,423	3,004
Research and development costs (<i>note (b)</i>)	7,043	9,911

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

(b) Research and development costs

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

10. Income Tax

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

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

Jinyueda Development and Victor Best Investment, 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 during the years ended 31 December 2020 and 2019.

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

Pursuant to the PRC Income Tax Law and the respective regulations, all the subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as "High Technology Enterprise". Accordingly, JiaChen Floor was entitled to a preferential CIT rate of 15% for years ended 31 December 2020 and 2019. Changzhou Jintai 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 2020 and 2019, in accordance with the then applicable notice "Cai Shui [2015] Notice 119" and the new notice "Cai Shui [2018] Notice 99", 75% of the Group's qualifying research and development expenses were allowed, respectively, as additional deductions for the purposes of the CIT calculations. Details of the Group's research and development expenses during the years ended 31 December 2020 and 2019 are disclosed in Note 9(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. As set out in Note 30(b), at 31 December 2020 and 2019, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

10. Income Tax (Continued)

- (a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 RMB'000	2019 RMB'000
Current tax – PRC Corporation Income Tax – Charge for the year	3,290	4,007
Deferred tax – Origination and reversal of temporary differences (<i>Note 30(b)</i>)	(2,320)	382
	970	4,389

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	1,758	23,680
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	1,172	5,981
Effect of preferential income tax policy in the PRC	(1,037)	(2,439)
Tax effect of non-deductible expenses	3,914	1,575
Tax effect of non-taxable income	(50)	–
Tax effect for additional deduction on qualifying research and development expenses	(709)	(1,110)
Effect on deferred tax balances resulting from a change in tax rate for 2019	–	1,248
Tax effect of temporary differences recognised	(2,320)	(866)
Income tax expense for the year	970	4,389

11. Directors' and Chief Executive's Remuneration

Certain directors of the Company received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. Details of the remuneration of each of these directors of the Company as recorded in the financial statements of the subsidiaries for the two years ended 31 December 2020 and 2019, which were included in the staff costs as disclosed in Note 9, are set out below:

	Year ended 31 December 2020			
	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Mr. Shen	–	250	–	250
Ms. Zhang (resigned on 2/7/2020)	–	64	–	64
Mr. Shen MH	–	180	24	204
Mr. Chen	–	250	40	290
Ms. Liu Hui ("Ms. Liu") (appointed on 2/7/2020)	–	53	5	58
Independent non-executive directors				
Mr. Ma Ving Lung	98	–	–	98
Ms. Shi Dongying	98	–	–	98
Mr. Yu Chun Kau	98	–	–	98
	294	797	69	1,160

11. Directors' and Chief Executive's Remuneration (Continued)

	Year ended 31 December 2019			Total RMB'000
	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	
Executive directors				
Mr. Shen	–	218	–	218
Ms. Zhang	–	104	–	104
Mr. Shen MH	–	130	44	174
Mr. Chen	–	218	74	292
Independent non-executive directors				
Mr. Ma Ving Lung (appointed on 13/12/2019)	–	–	–	–
Ms. Shi Dongying (appointed on 13/12/2019)	–	–	–	–
Mr. Yu Chun Kau (appointed on 23/12/2019)	–	–	–	–
	–	670	118	788

- (a) No emolument was paid and payable to any of the directors of the Company and the five highest paid individuals of the Group, set out in Note 12 below, as an inducement to join or upon joining the Group or as compensation for loss of office for the two years ended 31 December 2020 and 2019. None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments for the two years ended 31 December 2020 and 2019.

12. Emoluments of Five Highest Paid Individuals

Of the five highest paid individuals of the Group, three (2019: four) are the directors of the Company, whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other two (2019: one) are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	615	65
Pension scheme contributions	–	22
	615	87

12. Emoluments of Five Highest Paid Individuals (Continued)

The emoluments of the other two individuals (2019: one individual) with the highest emoluments of the Group are within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil – HK\$1,000,000	2	1

13. Dividends

During the two years ended 31 December 2020 and 2019, no dividend was declared and paid to the then shareholders of the companies now comprising the Group.

14. Earnings Per Share

The Company completed the listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including 10,130 ordinary shares in issue at 31 December 2019, an aggregate of 250,000,000 new ordinary shares issued in the Global Offering and 749,989,870 new ordinary shares issued by way of capitalisation out of the share premium account to the Company's shareholders. The calculation of the basic earnings per share for each of the two years ended 31 December 2020 and 2019 is based on the following data:

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

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

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

15. Property, Plant and Equipment

	Leasehold buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At 1/1/2019	13,772	34,115	923	2,035	-	50,845
Additions	-	2,862	13	-	-	2,875
Disposals	-	(56)	-	-	-	(56)
At 31/12/2019 and 1/1/2020	13,772	36,921	936	2,035	-	53,664
Additions	-	6,030	14	290	51	6,385
Disposals	-	(362)	-	-	-	(362)
At 31/12/2020	13,772	42,589	950	2,325	51	59,687
Accumulated depreciation and impairment						
At 1/1/2019	4,459	15,404	623	482	-	20,968
Charge for the year	654	3,515	112	386	-	4,667
Written back on disposal	-	(32)	-	-	-	(32)
At 31/12/2019 and 1/1/2020	5,113	18,887	735	868	-	25,603
Charge for the year	654	3,791	64	395	-	4,904
Written back on disposal	-	(214)	-	-	-	(214)
At 31/12/2020	5,767	22,464	799	1,263	-	30,293
Carrying amounts						
At 31/12/2020	8,005	20,125	151	1,062	51	29,394
At 31/12/2019	8,659	18,034	201	1,167	-	28,061

- (a) As at 31 December 2020, the carrying amount of leasehold buildings with carrying amount of approximately RMB8,005,000 (2019: RMB8,659,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 29.
- (b) During the year ended 31 December 2020, depreciation expense was charged to "cost of goods sold and services rendered", "selling and distribution expenses" and "administrative expenses", respectively as follow:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of goods sold and services rendered	3,965	3,856
Selling and distribution expenses	17	26
Administrative expenses	922	785
	4,904	4,667

16. Land Use Rights

	2020 RMB'000	2019 RMB'000
Beginning of the year	8,213	8,386
Addition	–	–
Amortisation	(173)	(173)
End of the year	8,040	8,213
Analysed for reporting purpose as:		
Current assets	173	173
Non-current assets	7,867	8,040
	8,040	8,213

Notes:

- (a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 47 (2019: 48) years at 31 December 2020.
- (b) As at 31 December 2020, the carrying amount of land use rights of approximately RMB8,040,000 (2019: RMB8,213,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 29.

17. Right-of-Use Assets

	RMB'000
Cost	
At 1 January 2019	5,599
Addition	149
At 31 December 2019 and 1 January 2020	5,748
Addition	184
At 31 December 2020	5,932
Accumulated depreciation and impairment	
At 1 January 2019	3,695
Depreciation for the year	819
At 31 December 2019 and 1 January 2020	4,514
Depreciation for the year	887
At 31 December 2020	5,401
Carrying amounts	
At 31 December 2020	531
At 31 December 2019	1,234

17. Right-of-Use Assets (Continued)

- (a) The right-of-use assets represent the Group's rights to use underlying leased assets, which are mainly leasehold buildings, under lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liabilities.
- (b) During the year ended 31 December 2020, depreciation expense was charged to "cost of goods sold and services rendered" and "selling and distribution expenses", respectively as follows:

	2020 RMB'000	2019 RMB'000
Cost of goods sold and services rendered	647	647
Selling and distribution expenses	240	172
	887	819

18. Other Intangible Assets

	Computer software RMB'000
Cost	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	238
Accumulated amortisation and impairment	
At 1 January 2019	48
Charge for the year	48
At 31 December 2019 and 1 January 2020	96
Charge for the year	48
At 31 December 2020	144
Carrying amounts	
At 31 December 2020	94
At 31 December 2019	142

19. Long-term Deposits and Prepayments

	2020 RMB'000	2019 RMB'000
Prepayments for acquisition of property, plant and equipment (<i>note (a)</i>)	15,000	–
Deposit paid for acquisition of land use rights (<i>note (b)</i>)	40,000	–
	55,000	–

- (a) Prepayments for acquisition of property, plant and equipment are made in accordance with the payment terms as stipulated in the acquisition contract entered into between JiaChen Floor and an independent third party. The acquisition costs which are contracted but not provided for are included in commitments (Note 34(b)).
- (b) By reference to memorandum of understanding made by the Group and the Municipal Government in Henglin Town Government of Wujin District, Changzhou City, the PRC (the "Local Government") on 20 December 2018 (the "MOU") in relation to the proposed acquisition of a parcel of land located in Henglin Town, Wujin District, Changzhou City, the PRC, on 29 December 2020, the Group paid a refundable deposit of RMB40,000,000 to the Local Government which will be applied to settle the consideration to be agreed. On 25 March 2021, the Group and the Local Government, entered into a supplemental MOU under which the valid period of the proposed acquisition of the parcel of land, with approximately 64 mu (previously 45 mu under the 2018 MOU above) located in Henglin Town, Wujin District, Changzhou City, the PRC, has been extended to 30 September 2021. At 31 December 2020 and up to the date of approval of the consolidated financial statements, the necessary governmental procedures and the negotiations for the final terms of the proposed transfer of the land have not yet been completed and the binding formal sale and purchase agreement has not yet been signed.

20. Inventories

	2020 RMB'000	2019 RMB'000
Raw materials	14,072	12,501
Finished goods	16,887	17,084
	30,959	29,585

21. Contract Assets and Contract Liabilities

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

(a) Contract assets

Contract assets, before deduction of allowance for lifetime ECLs, comprise the following components:

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

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

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2020 RMB'000	2019 RMB'000
Beginning of the year	62,446	90,557
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) (<i>Note 6</i>)	182,178	270,859
– Value-added tax on revenue recognised (<i>note below</i>)	21,770	34,189
	203,948	305,048
Transferred to trade receivables when rights to payments became unconditional	(185,616)	(329,817)
Transferred to and offset by contract liabilities	(585)	(3,342)
End of the year	80,193	62,446

Note:

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

- 10% – 16% for the period from May 2018 to March 2019; and
- 9% – 13% for the period commencing from April 2019.

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

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

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

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

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

Further disclosures on the impairment assessment of contract assets are set out in note (a)(vi) and Note 22(c) below.

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(iv) Retention monies receivable

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

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

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

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

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(v) (Continued)

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 with the normal operating cycle, before allowance for lifetime ECLs, is as follows:

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

(vi) Impairment assessment of the contract assets

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

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

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(vi) Impairment assessment of the contract assets (Continued)

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

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

(b) Contract liabilities

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

The movements in contract liabilities are set out below:

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

(c) 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 2020.

	2020 RMB'000	2019 RMB'000
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	109,502	88,564
Expected to be recognised over one year	3,561	3,438
	113,063	92,002

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

22. Trade and Bills Receivables

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

Notes:

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

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

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

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

22. Trade and Bills Receivables (continued)

Notes: (Continued)

(a) (Continued)

The Group entered into an arrangement with an independent third party customer ("Customer A") which is a subsidiary of a blue chip property developer, which was established in the PRC with its shares listed in the Shenzhen Stock Exchange and is a constituent stock of both Shenzhen Stock Index and CSI 300 Index which is the benchmark of the China Stock Market Index. Customer A contributed to 13.56% and Nil of the Group's revenue for the years ended 31 December 2019 and 2020, respectively, and 22.19% and 8.88% of the Group's total of contract assets and trade receivables at 31 December 2019 and 2020, respectively. Customer A provided the Group with commercial bills or letters of credit issued by the banks of Customer A in accordance with the sales contracts made between the Group and Customer A, for the contract performance obligations discharged by the Group and the credit period of up to 365 days from the invoice date is allowed to Customer A. The Group factored these trade receivables in respect of Customer A, with recourse, to a factoring bank which is one of the principal banks of Customer A. Customer A agreed to reimburse the Group, at the expiry date of the factoring agreement, for the difference between the invoiced amounts of factored receivables and the cash proceeds received by the Group from the factoring bank, including all the interests incurred under the relevant factoring agreements entered into by the Group and the factoring bank. For the years ended 31 December 2019 and 2020, the Group earned interest from Customer A amounted to approximately RMB923,000 and RMB796,000, respectively. At 31 December 2019 and 2020, the outstanding factored receivables in respect of Customer A amounted to approximately RMB45,393,000 and Nil respectively. According to the terms of the relevant factoring agreements entered into by the Group and the factoring bank which is one of the principal banks of Customer A, the Group still retains all the risks and rewards associated with the ownership of factored trade receivables in respect of Customer A and accordingly, these factored trade receivables are not derecognised, until the factoring bank will have successfully collected the proceeds of factored receivables from Customer A at the expiry of the factoring period which is one year from the factoring date. In substance, the factoring arrangement is a form of borrowings and the proceeds received from factoring receivables are recognised as secured bank borrowings (Note 29) which are secured by the pledge of the trade receivables in respect of Customer A, as further disclosed in Note 29(a) below.

(b) Impairment assessment of trade and bills receivables

Impairment losses in respect of 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 ECLS prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade and bills receivables. To measure the lifetime expected losses on trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix of the actual bad debt rates on the trade and bills receivables at 31 December 2014, 2015, 2016, 2017 and 2018, as adjusted for factors specific to the customers such as history and patterns of settlements from the customers and forward looking information, such as expected economic conditions after the reporting period end. The Group considered that there has not been a significant change in credit quality of the customers subsequent to the reporting period end.

The Group's customers are mainly large property developers and stated-owned enterprises with high credit rating and good past payment history with the Group prior to COVID-19 pandemic.

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

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(b) (Continued)

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

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

(c) In order to determine the ECLS for the portfolio of contract assets and trade and bills receivables at 31 December 2020 and 2019, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt rates, as adjusted for factors specific to the customers such as history and patterns of settlements from the customers and forward looking information, such as expected economic conditions after the reporting period end. At the reporting period end, the historical observed bad debt rates and the forward looking estimates are updated.

22. Trade and Bills Receivables (continued)*Notes: (Continued)*

(c) (Continued)

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

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

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

The increase in the rates for allowance of ECLs on contract assets and trade and bills receivables at 31 December 2020 was mainly caused by the impacts of COVID-19 pandemic since January 2020.

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

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(c) (Continued)

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

	As at 31 December 2020			
	Lifetime ECLs	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Contract assets (Note 21)	2.78%	80,193	2,230	77,963
Trade and bills receivables (see below)	18.44%	146,375	26,994	119,381
		226,568	29,224	197,344
Trade and bills receivables:				
Not yet due or current	2.85%	37,977	1,082	36,895
Past due				
Within 1 month	11.12%	4,910	546	4,364
1 to 3 months	13.20%	7,282	961	6,321
3 to 6 months	15.56%	5,432	845	4,587
6 to 9 months	17.10%	16,888	2,888	14,000
9 to 12 months	19.30%	46,939	9,059	37,880
1 to 2 years	39.26%	20,876	8,196	12,680
Over 2 years	56.28%	6,071	3,417	2,654
	18.44%	146,375	26,994	119,381

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(c) (Continued)

	As at 31 December 2019			
	Lifetime ECLs	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Contract assets (Note 21)	2.13%	62,446	1,331	61,115
Trade and bills receivables (see below)	7.19%	208,810	15,006	193,804
		271,256	16,337	254,919
Trade and bills receivables:				
Not yet due or current	1.04%	123,909	1,294	122,615
Past due				
Within 1 month	2.97%	2,321	69	2,252
1 to 3 months	3.41%	26,967	920	26,047
3 to 6 months	5.63%	20,425	1,150	19,275
6 to 9 months	7.40%	13,212	978	12,234
9 to 12 months	11.43%	9,110	1,041	8,069
1 to 2 years	59.49%	8,176	4,864	3,312
Over 2 years	100%	4,690*	4,690	–
	7.19%	208,810	15,006	193,804

* Including a balance of approximately RMB2,577,000, which was fully impaired in 2015 and fully written off against the allowance for ECLs during the year ended 31 December 2020, as disclosed in Note 22(b).

23. Deposits, Prepayments and Other Receivables

	2020 RMB'000	2019 RMB'000
Contract performance deposits (<i>note (c) below</i>)	598	971
Tender deposits (<i>note (d) below</i>)	807	1,434
Prepayments for purchases of raw materials (<i>note (e) below</i>)	6,130	2,385
Refundable deposits paid for the acquisition of plant and machinery	195	110
Deposits paid for electricity and nature gas	530	765
Prepayments	1,980	1,059
Prepaid listing expenses (<i>note (b) below</i>)	–	6,470
Land use rights (<i>Note 16</i>)	173	173
Rental deposits	243	166
Others-individually insignificant	1,786	1,667
	12,442	15,200
Allowance for ECLs:		
– Contract performance deposits	–	(213)
– Refundable deposits paid for acquisition of property, plant and equipment	(110)	(110)
	(110)	(323)
	12,332	14,877

Notes:

- (a) All of the above deposits, prepayments and other receivables, net of the allowance for ECLs, if any, are expected to be recovered or recognised as expenses within one year or repayable on demand.
- (b) At 31 December 2019, the capitalised prepaid listing expenses of RMB6,470,000 were related to the fundraising from issuing the Company's new shares issued in an IPO, as disclosed below and in Note 31(a), and were charged to share premium account of the Company.

On 16 January 2020, the Company issued 250,000,000 new shares of HK\$0.01 each at an offer price of HK\$0.53 per offer price in the Global Offering and the listing of the Company's shares was completed on 17 January 2020. The prepaid listing expenses capitalised at 31 December 2019 of RMB6,470,000 were subsequently applied and was charged to the share premium account upon completion of the issuance of these new shares of the Company on 16 January 2020.

- (c) When a contract is awarded by a customer to the Group, the Group is required to pay a contract performance deposit of approximately 10% of the contract sum as security for the Group's performance in accordance with the contract which is made between the Group and the customer. The contract performance deposits are refundable and will be refunded to the Group when the performance obligations promised in the contracts are completed by the Group. The contract performance deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement to the contract customers. At 31 December 2020, reversal of impairment of approximately RMB213,000 (2019: Nil) and no provision for 12-month ECLs was recognised on these contract performance deposits during the year ended 31 December 2020 (2019: RMB213,000).

23. Deposits, Prepayments and Other Receivables (Continued)

Notes: (Continued)

- (d) When the Group submits a bid in the tendering process, the Group is required to make a refundable tender deposit, which is specified on a tender by tender basis, to the prospective customer. The tender deposits will be refunded to the Group when the outcomes of the tenders are confirmed by the prospective customers. The tender deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement made by the Group to the prospective customers. As at 31 December 2020, all the tender deposits paid for tender bids can be fully recoverable and no provision for 12-month ECLs was recognised during the year ended 31 December 2020 (2019: Nil).
- (e) The prepayments for purchase of raw materials of approximately RMB6,130,000 (2019: RMB2,385,000) were paid to the independent third suppliers in accordance with the relevant purchase contracts under which the raw materials were not yet delivered to the Group at 31 December 2020. Subsequent to 31 December 2020 and up to the date of the approval of these consolidated financial statements, approximately RMB5,886,000 out of these prepayments have been applied to settle towards the purchase costs of the raw materials when the control of raw materials were transferred from the suppliers to the Group. No provision for impairment was recognised on these prepayments for purchase of raw materials during the year ended 31 December 2020 (2019: Nil).

24. Restricted Bank Deposits

Restricted bank balances were pledged as security for issuing commercial bills to suppliers. They are deposited with creditworthy banks with no recent history of default.

25. Cash and Cash Equivalents

	2020 RMB'000	2019 RMB'000
Cash at banks	42,360	16,412
Time deposits	10,237	–
Cash in hand	2	2
	52,599	16,414
Denominated in:		
RMB	39,684	16,390
US\$	4,885	24
HK\$	8,030	–
Cash and cash equivalents	52,599	16,414

The cash at banks and time deposits carried interest at market rates within the range from 0.30% to 1.76% (2019: 0.30% to 0.35%) per annum for the year ended 31 December 2020. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within a tenure of 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

There was no significant change in the credit risks on the cash at banks and time deposits and no provision for the 12 month-ECL was required at the reporting period end.

26. Trade and Bills Payables

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

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

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

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

27. Accruals and Other Payables

	2020 RMB'000	2019 RMB'000
Accounts payable for acquisition of property, plant and equipment	792	381
Accrued installation costs	6,661	8,481
Interest payable	451	1,332
Education and construction levies	1,130	1,374
Provision for listing expenses	–	8,775
Salaries and bonuses payable	675	807
Value-added tax payable	4,563	6,714
Other payables and accruals	3,694	4,072
	17,966	31,936

The carrying amounts of accruals and other payables at 31 December 2020 approximate their fair values. All of the accruals and other payables are non-interest bearing, expected to be settled within one year or repayable on demand.

28. Lease Liabilities

	2020 RMB'000	2019 RMB'000
Maturity analysis – contractual undiscounted cash flows:		
Less than 1 year	883	827
1 to 2 years	771	709
2 to 5 years	95	1,354
Total undiscounted lease liabilities	1,749	2,890
Analysed for reporting purpose as:		
Current liabilities	883	827
Non-current liabilities	866	2,063
	1,749	2,890

The effective interest rate profile of the lease liabilities are disclosed in Note 38(c)(i).

29. Bank Borrowings

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

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

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

No factoring loan was included in the secured bank loans at 31 December 2020 (2019: RMB36,868,000) arising from factoring trade and bills receivables under the factoring arrangement with Customer A as referred to in Note 22(a).

Notes:

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

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

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

30. Income Tax in the Consolidated Statement of Financial Position

(a) Taxation in the consolidated statement of financial position represents:

	2020 RMB'000	2019 RMB'000
Current tax payable:		
At the beginning of the year	1,817	4,860
Provision for the year	3,290	4,007
Tax paid	(3,365)	(7,050)
Tax payable	1,742	1,817

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the reporting periods are as follows:

	Provision for asset impairment RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2019	2,640	481	3,121
Charged to profit or loss	(190)	(192)	(382)
At 31 December 2019 and 1 January 2020	2,450	289	2,739
Credited to profit or loss	2,320	–	2,320
At 31 December 2020	4,770	289	5,059

(c) Deferred tax assets and liabilities not recognised:

At 31 December 2020 and 2019, potential deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have not been provided as the Group can control the dividend policy of these subsidiaries in the PRC and these PRC subsidiaries of the Company have no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

As at 31 December 2020, the undistributed profits of JiaChen Floor, which is the key operating subsidiary of the Group in the PRC were approximately RMB103,525,000 (2019: RMB95,106,000) for which the potential deferred tax liabilities, in respect of withholding tax on dividends to be distributed by JiaChen Floor, of approximately RMB5,176,000 (2019: RMB4,755,000) have not been recognised. No deferred tax liability has been recognised in respect of these temporary differences because the Group can control the dividend policy of JiaChen Floor and there is no plan of declaring dividends by JiaChen Floor and accordingly, the Group can control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Apart from the above, there were no other material unrecognised deferred tax assets and liabilities at 31 December 2020 and 2019.

31. Share Capital and Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

(a) Share Capital

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised capital:		
At 1 January 2019	38,000,000	380
Increase in authorised capital on 19 December 2019	4,962,000,000	49,620
At 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000	50,000
Issued capital:		
At 1 January 2019, 31 December 2019 and 1 January 2020	10,130	—*
Issuance of new shares under capitalisation issue	749,989,870	7,500
Issuance of new shares under the Global Offering	250,000,000	2,500
At 31 December 2020	1,000,000,000	10,000

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

At 31 December 2019, there were 10,130 ordinary shares of HK\$0.01 each of the Company in issue, of which, 50.34%, 30.85%, 17.54% and 1.27% were held by Jiachen Investment, Xinchen investment, Yilong Investment and Crystal Breeze Ventures, respectively.

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

Since 16 January 2020 and at 31 December 2020, 37.76%, 23.14% and 13.15% of the issued capital of the Company have been owned by Jiachen Investment, Xinchen Investment and Yilong Investment, respectively.

31. Share Capital and Reserves (Continued)

(b) Capital reserve of the Group

The Group's capital reserve represents the gains arising from transfers of certain entities, which were not related to the listing business of the Group, to Mr. Shen.

(c) Statutory reserve of the Group

In accordance with the PRC Company Law, certain subsidiaries of the Company which are domestic subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserve until the reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the relevant domestic subsidiaries.

(d) Statement of changes in equity of the Company

	Share capital		Reserves				Subtotal	Total
	HK\$'000	RMB'000	Share premium	Capital reserve	Contributed surplus	Retained profits		
	(note (a))		RMB'000 (i)	RMB'000 (ii)	RMB'000 (iii)	RMB'000		
At 1 January 2019	-	-	61,927	11,155	62,183	-	135,265	135,265
Loss for the year	-	-	-	-	-	(727)	(727)	(727)
At 31 December 2019 and 1 January 2020	-	-	61,927	11,155	62,183	(727)	134,538	134,538
Issuance of new shares under capitalisation issue (note (a))	7,500	6,642	(6,642)	-	-	-	(6,642)	-
Issuance of new shares under the Global Offering (note (a))	2,500	2,214	115,128	-	-	-	115,128	117,342
Shares issuing costs (note (d))	-	-	(16,164)	-	-	-	(16,164)	(16,164)
Loss for the year	-	-	-	-	-	(8,606)	(8,606)	(8,606)
At 31 December 2020	10,000	8,856	154,249	11,155	62,183	(9,333)	218,254	227,110

(i) **Share premium of the Company**

Under the Companies Law of Cayman Islands, the funds at the share premium account are distributable to the Company's shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

31. Share Capital and Reserves (Continued)

(d) Statement of changes in equity of the Company (Continued)

(i) Share premium of the Company (Continued)

At 31 December 2019, the share premium represented the excess of the capital contributions of (a) approximately RMB60,192,000 attributable to 97.74% of registered capital of JiaChen Floor that were indirectly transferred to the Company under the first equity swap on 23 January 2018, over the nominal value totaling RMB100 in respect of a total of 10,001 ordinary shares of HK\$0.01 of the Company allotted and issued to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen), Yilong Investment (wholly-owned by Mr. Shen MH, and (b) approximately RMB1,735,000 in respect of 1.25% of registered capital of JiaChen Floor indirectly transferred to the Company under second equity swap over the nominal value of HK\$1.29 in respect of 129 ordinary shares of HK\$0.01 of the Company allotted and issued to Crystal Breeze Ventures under the second equity swap completed on 15 March 2018.

As disclosed in note (a) above, on 16 January 2020, a total of 749,989,870 new ordinary shares of HK\$0.01 were issued to the Company's shareholders at par, amounted to approximately RMB6,642,000 (equivalent to HK\$7,499,898.70), by way of capitalisation out of the share premium account of the Company. On the same date, 250,000,000 new ordinary shares of the Company with par value of HK\$0.01 each were issued at an offer price of HK\$0.53 per offer share in the Global Offering at the total gross proceeds received by the Company of approximately RMB117,342,000 (equivalent to HK\$132,500,000) out of which, the aggregate par value of approximately RMB2,214,000 (equivalent to HK\$2,500,000) and the excess of the offer price over the aggregate nominal value of approximately RMB115,128,000 (equivalent to HK\$130,000,000) were credited to the share capital and the share premium account, respectively. The related share issuing costs of approximately RMB16,164,000 (2019: Nil), including approximately RMB6,470,000 (Note 23(b)) capitalised prepaid listing expenses brought forward from 31 December 2019 and approximately RMB9,694,000 incurred during the year, were charged to the share premium account.

(ii) Capital reserve of the Company

At 31 December 2019 and 2020, the capital reserve of the Company represented the gain arising from the transfer of a total of 97.7427% equity interests of JiaChen Floor from Mr. Shen, Mrs. Shen and Mr. Shen MH to the Group under the first equity swap on 23 January 2018.

(iii) Contributed surplus of the Company

The contributed surplus represented the excess of the net assets of JiaChen Floor over the nominal value amounting to approximately RMB88 (equivalent to HK\$101.30) in respect of a total of 10,130 ordinary new shares of HK\$0.01 each of the Company allotted and issued by the Company to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen) and Yilong Investment (wholly-owned by Mr. Shen MH), in the first equity swap completed on 23 January 2018, and Crystal Breeze Ventures in the second equity swap completed on 15 March 2018, and share premium of approximately RMB61,927,000, as set out in note (d)(i) above, for a total of 99.01% of registered capital of JiaChen Floor, of which, 97.74% and 1.27% were indirectly transferred to the Company under the first equity swap and the second equity swap, respectively.

31. Share Capital and Reserves (Continued)

(e) Distributable reserves

At 31 December 2020, the distributable reserves of the Company amounted to approximately RMB218,254,000 (2019: RMB134,538,000).

During the two years ended 31 December 2020 and 2019, no dividend was declared and paid to the shareholders of the Company.

(f) Share option scheme

The Company has adopted a share option scheme pursuant to a resolution passed by the shareholders of the Company on 19 December 2019 for the purpose of granting share options to eligible participants as incentives or rewards for their contribution to the Company. The share option scheme shall be valid and effective for a period of ten years. No option had been granted or agreed to be granted by the Company under the share option scheme since its inception, at 31 December 2019 and 2020, and up to the date of approval of the consolidated financial statements.

32. Non-Controlling Interests and Material Partially-Owned Subsidiaries

During the year ended 31 December 2020, the registered and paid-up capital of JiaChen Floor was increased from RMB61,580,000 to RMB130,800,000, by way of additional capital contributions of approximately RMB69,220,000 (2019: Nil) made by Victor Best Investment, being an indirectly wholly-owned subsidiary of the Company, such that since the date of contributing the additional capital to JiaChen Floor and at 31 December 2020, Victor Best Investment and Changzhou Jintai, being another indirectly non-wholly-owned subsidiary in which the Company has indirectly owned 99% of its registered and paid-up capital, have held 53.52% (2019: 1.27%) and 46.48% (2019: 98.73%) of the registered and paid-up capital of JiaChen Floor, respectively. At 31 December 2020, Mr. Shen, Mrs. Shen and Mr. Shen MH collectively and personally have held a total of 1% (2019: 1%) of the registered and paid-up capital of Changzhou Jintai, and accordingly, they in turn have indirectly held 0.46% (2019: 0.99%) of the registered and paid-up capital of JiaChen Floor.

The resultant effects of dilution on the non-controlling interest of JiaChen Floor have been dealt with as a movement in the consolidated statement of equity during the year.

During the two years ended 31 December 2020 and 2019, JiaChen Floor is key operating entity of the Group. Since the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of financial position of the Group for the two years ended 31 December 2020 and 2019 were mainly represented by that of JiaChen Floor, which is a material indirect and non-wholly owned subsidiary of the Company, the financial statements of JiaChen Floor for the two years ended 31 December 2020 and 2019 are not separately disclosed.

Changzhou Jintai has no material transactions and contributions to the operating results, cash flows, assets and liabilities of the Group for the two years ended 31 December 2020 and 2019.

33. Pledge of Assets

As at 31 December 2020, the following assets of the Group were pledged for the Group's bank borrowings:

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

34. Commitments

(a) Operating lease commitments

The Group as lessee

At 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its staff quarter falling due as follows:

	2020 RMB'000	2019 RMB'000
Within one year	116	115

(b) Capital commitments

Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
– Property, plant and equipment (Note 19(a))	15,618	–

35. Related Party Transactions

During the year ended 31 December 2020 and up to the date of this report, the directors of the Company are of the view that the following entities and persons are related parties to the Group:

(a) Relationship

Name of the related parties	Relationship with the Company
Jiachen Investment Limited ("Jiachen Investment")	Being wholly owned by Mr. Shen, has directly held 37.76% of the issued capital of the Company at 31 December 2020 and at the date of approval of the consolidated financial statements.
Xinchen Investment Limited ("Xinchen Investment")	Being wholly-owned by Mrs. Shen, has directly held 23.14% of the issued capital of the Company at 31 December 2020 and at the date of approval of the consolidated financial statements.
Yilong Investment Limited ("Yilong Investment")	Being wholly-owned by Mr. Shen MH, has directly held 13.15% of the issued capital of the Company at 31 December 2020 and at the date of approval of the consolidated financial statements.
Mr. Shen	Sole beneficial owner of Jiachen Investment and an executive director of the Company.
Mrs. Shen or Ms. Zhang	Sole beneficial owner of Xinchen Investment and a former executive director of the Company.
Mr. Shen MH	Sole beneficial owner of Yilong Investment and an executive director of the Company.
Mr. Chen	General manager of JiaChen Floor throughout the years ended 31 December 2020 and 2019, chief executive officer and executive director of the Company since 19 June 2019.
Ms. Liu	An executive director of the Company since 2 July 2020.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 11, the Group's highest paid employees as disclosed in Note 12 and the senior management of the Group, are as follows:

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

The above remuneration to key management personnel of the Group is included in "staff costs" (Note 9).

36. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities:

	Financing activities			Total RMB'000
	Bank borrowings RMB'000 (Note 29)	Amounts due to shareholders and directors RMB'000	Lease liabilities RMB'000 (Note 28)	
At 1 January 2019	78,284	852	3,531	82,667
Changes from financing cash flows:				
Proceeds from new borrowings	120,849	–	–	120,849
Proceeds of advances from a shareholder and director	–	21	–	21
Repayment of borrowings	(85,765)	–	–	(85,765)
Payment of lease liabilities	–	–	(790)	(790)
Repayments of advance to shareholders	–	(873)	–	(873)
Interest paid	(5,766)	–	(132)	(5,898)
Total changes from financing cash flows	29,318	(852)	(922)	27,544
Other non-cash changes:				
Interest expenses	6,647	–	132	6,779
Addition of lease liabilities	–	–	149	149
Transfer of accrued interest	(881)	–	–	(881)
Total other non-cash changes	5,766	–	281	6,047
At 31 December 2019 and 1 January 2020	113,368	–	2,890	116,258
Changes from financing cash flows:				
Proceeds from new borrowings	129,000	–	–	129,000
Repayment of borrowings	(171,368)	–	–	(171,368)
Payment of lease liabilities	–	–	(1,325)	(1,325)
Interest paid	(5,653)	–	(106)	(5,759)
Total changes from financing cash flows	(48,021)	–	(1,431)	(49,452)
Other non-cash changes:				
Interest expenses	4,772	–	106	4,878
Addition of lease liabilities	–	–	184	184
Transfer from accrued interest	881	–	–	881
Total other non-cash changes	5,653	–	290	5,943
At 31 December 2020	71,000	–	1,749	72,749

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets at amortised costs:		
Trade and bills receivables	119,381	193,804
Deposits and other receivables	4,049	4,790
Restricted bank deposits and cash and cash equivalents	57,215	19,884
Total financial assets	180,645	218,478
Financial liabilities at amortised costs:		
Trade and bills payables	27,797	37,579
Accruals and other payables	17,966	31,936
Lease liabilities	1,749	2,890
Bank borrowings	71,000	113,368
Total financial liabilities	118,512	185,773

38. Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of business of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its restricted bank deposits and cash and cash equivalents, trade and bills receivables and contract assets (including retention monies receivable), and deposits and other receivables. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group's customers in respect of supply and installation of access flooring plates primarily consist of companies with strong and reputable financial background. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each of trade receivables and contract assets (including retention monies receivable) to ensure that adequate impairment provision is made for the irrecoverable amounts.

Restricted bank deposits and cash and cash equivalents held by the Group are mainly deposited in commercial banks with sound reputation and their credit risk is considered as low.

In order to minimise credit risk in respect of contract assets, trade and bills receivables and other receivables, the management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral from customers.

In respect of contract assets and trade and bills receivables, the Group's exposures to credit risk is influenced mainly by the individual characteristics of each customer. Contract assets have substantially the same risk characteristics as the trade and bills receivables for the same types of the contracts. The Group's contract customers are mainly the famous and large property developers and large 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 and the Group considered that there has not been a significant change in credit quality of the customers. The default risk of the industry and country in which customers operate also has an influence on credit risk.

At 31 December 2020, 9% (2019: 22%) and 18% (2019: 32%) of the combined total of contract assets and trade and bills receivables were due from the Group's largest debtor and top five debtors, respectively.

38. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

Maximum exposure and year-end staging as at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Contract assets (Note 22(c))	–	–	–	77,963	77,963
Trade and bills receivables (Note 22(c))	–	–	–	119,381	119,381
Financial assets included in deposits, prepayments and other receivables	4,049	–	–	–	4,049
Restricted bank deposits and cash and cash equivalents	57,215	–	–	–	57,215
	61,264	–	–	197,344	258,608

Maximum exposure and year-end staging as at 31 December 2019

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Contract assets (Note 22(c))	–	–	–	61,115	61,115
Trade and bills receivables (Note 22(c))	–	–	–	193,804	193,804
Financial assets included in deposits, prepayments and other receivables	4,790	–	–	–	4,790
Restricted bank deposits and cash and cash equivalents	19,884	–	–	–	19,884
	24,674	–	–	254,919	279,593

38. Financial Risk Management and Fair Values (continued)

(b) Liquidity risk

In the management of the liquidity risk, the Group regularly monitors and maintains its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

All non-interest bearing financial liabilities of the Group are carried at amounts not materially different from their contractual undiscounted cash flow as these financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period. Bank borrowings are repayable within one year from the end of reporting period.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay.

	As at 31 December 2020					
	Repayable on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	27,797	-	-	-	27,797	27,797
Accruals and other payables	17,966	-	-	-	17,966	17,966
Lease liabilities	951	804	102	-	1,857	1,749
Bank borrowings	72,689	-	-	-	72,689	71,000
	119,403	804	102	-	120,309	118,512

	As at 31 December 2019					
	Repayable on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	37,579	-	-	-	37,579	37,579
Accruals and other payables	31,936	-	-	-	31,936	31,936
Lease liabilities	927	770	1,381	-	3,078	2,890
Bank borrowings	116,865	-	-	-	116,865	113,368
	187,307	770	1,381	-	189,458	185,773

Management believes that the Group's current cash on hand, expected cash flows from operations and available standby credit facilities from financial institutions will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations in the near future when they become due.

38. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, lease liabilities and bank borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net interest bearing liabilities (being interest-bearing financial liabilities less restricted bank deposits and cash at banks) at the end of the reporting period:

	As at 31 December			
	2020		2019	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Lease liabilities (Note 28)	4.90%–5.44%	1,749	4.90%–6.20%	2,890
Bank borrowings (Note 29)	4.50%–4.80%	71,000	4.35%–6.20%	113,368
Less: Restricted bank deposits (Note 24)	0.30%–2.25%	(4,616)	1.35%–2.25%	(3,470)
Cash at banks (Note 25)	0.30%–0.35%	(42,360)	0.30%–0.35%	(16,412)
Time deposits (Note 25)	1.76%	(10,237)	N/A	–
Total net interest-bearing borrowings		15,536		96,376

(ii) Sensitivity analysis

As at 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB156,000 for the year ended 31 December 2020 (2019: RMB820,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amounts of interest-bearing borrowings outstanding at the end of the reporting period being outstanding for the whole reporting period. The analysis is performed on the same basis for 2019.

38. Financial Risk Management and Fair Values (continued)**(d) Currency risk**

The Group is exposed to currency risk primarily through sales and from financial instruments that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US\$") and Hong Kong dollars ("HK\$"). At present, the Group has no hedging policy with respect to its foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the reporting period end date. Differences resulting from the translation of the financial statements of non-PRC group entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)	
	2020 RMB'000	2019 RMB'000
Exposure to US\$		
Trade and other receivables	5,311	6,633
Cash and bank balances	4,885	24
Exposure to HK\$		
Cash and bank balances	8,030	–
	18,226	6,657

(ii) Sensitivity analysis

As at 31 December 2020, it is estimated that a general increase/decrease of 5% in foreign exchange rate, with all variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB769,000 for the year ended 31 December 2020 (2019: RMB283,000).

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis has been performed on the same basis for 2019.

38. Financial Risk Management and Fair Values (Continued)

(e) Concentration risk

During the year ended 31 December 2020, the Group's largest customer and top five customers had contributions to the Group's revenue as follows:

	Top Five Customers %	Largest Customer %
For the years ended 31 December:		
– 2020	26.66	8.04
– 2019	25.21	13.56

If the largest customer or the top five customers terminate their business relationships with the Group and the Group fails to find new customers, it may have adverse impact on the Group's financial position and results of operations. Therefore, the Group's management keeps closely monitoring transactions with these major customers.

(f) Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of equity, lease liabilities and bank borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and restricted bank deposits. The debt-to-equity ratio as at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Lease liabilities	1,749	2,890
Bank borrowings	71,000	113,368
	72,749	116,258
Less: Cash and cash equivalents and restricted bank deposits	(57,215)	(19,884)
Net debt	15,534	96,374
Total equity	271,671	169,705
Debt-to-equity ratio	5.72%	56.79%

Neither the Company nor the Group is subject to externally imposed capital requirements.

38. Financial Risk Management and Fair Values (Continued)

(g) Fair values measurement

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost approximate their respective fair values as at 31 December 2020 and 2019.

39. Company Level Statement of Financial Position

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Interests in subsidiaries	2	215,040	135,265
Current assets			
Amount due from subsidiaries		4,855	18
Amount due from shareholders		—*	—*
Cash and cash equivalents		8,030	159
		12,885	177
Total assets		227,925	135,442
Current liabilities			
Accrual and other payables		815	704
Amount due to a subsidiary		—	200
		815	904
Net current assets/(liabilities)		12,070	(727)
Net assets		227,110	134,538
Equity			
Share capital	31(a)	8,856	—*
Reserves	31(d)	218,254	134,538
Total equity		227,110	134,538

* Figures rounded to less than RMB1,000.

40. Events After the Reporting Period

Saved as disclosed in Note 19(b) to consolidated financial statements, there was no other significant event subsequent to 31 December 2020 and up to the date of approval of the consolidated financial statements.

41. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 December 2020

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

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

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 consolidated financial statements.

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

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
RESULTS					
Revenue	182,178	270,859	248,785	216,360	159,603
Gross profit	37,756	68,317	60,166	53,744	37,205
Profit before taxation	1,758	23,680	29,983	23,783	22,828
Income tax	(970)	(4,389)	(5,132)	(3,125)	(3,466)
Profit and total comprehensive income for the year	788	19,291	24,851	20,658	19,362
Attributable to:					
Owners of the Company	744	19,100	24,605	20,451	19,168
Non-controlling interests	44	191	246	207	194
	788	19,291	24,851	20,658	19,362
ASSETS AND LIABILITIES					
Total assets	395,795	359,481	319,841	289,437	226,471
Total liabilities	(124,124)	(189,776)	(169,427)	(165,825)	(124,725)
Non-controlling interests	(1,158)	(1,680)	(1,489)	(1,237)	(1,018)
Equity attributable to owners of the Company	270,513	168,025	148,925	122,375	100,728