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## **JiaChen Holding Group Limited**

**佳辰控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1937)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **RESULTS**

The board of directors (the “**Directors**” and the “**Board**”, respectively) presents the consolidated financial results of JiaChen Holding Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

		<b>2022</b>	2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>227,270</b>	274,920
Cost of sales		<u>(184,206)</u>	<u>(212,457)</u>
<b>Gross profit</b>		<b>43,064</b>	62,463
Other revenue and other net income	5	<b>4,540</b>	3,311
Selling expenses		<b>(7,178)</b>	(8,696)
Impairment of contract assets and trade and bills receivables, net	8	<b>(4,990)</b>	(946)
Administrative expenses		<u>(20,370)</u>	<u>(24,479)</u>
Profit from operations		<b>15,066</b>	31,653
Finance costs	7	<u>(3,462)</u>	<u>(3,698)</u>
<b>Profit before taxation</b>	8	<b>11,604</b>	27,955
Income tax	9	<u>(857)</u>	<u>(3,271)</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>10,747</u></b>	<u>24,684</u>
<b>Attributable to:</b>			
Owners of the Company		<b>10,683</b>	24,542
Non-controlling interests		<u>64</u>	<u>142</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>10,747</u></b>	<u>24,684</u>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Earnings per share</b>			
Basic and diluted earnings per share	10	<b><u>1.07</u></b>	<u>2.45</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>49,409</b>	30,088
Land use rights		<b>46,140</b>	7,694
Right-of-use assets		<b>138</b>	277
Other intangible assets		–	46
Long-term deposits and prepayments		<b>7,616</b>	38,142
Deferred tax assets		<b>5,563</b>	4,814
		<b>108,866</b>	81,061
<b>Current assets</b>			
Inventories		<b>45,623</b>	50,870
Contract assets	11	<b>85,643</b>	79,099
Trade and bills receivables	12	<b>150,358</b>	141,768
Deposits, prepayments and other receivables		<b>7,774</b>	15,897
Amount due from a shareholder and director		–	1,331
Restricted bank deposits		<b>2,307</b>	2,761
Cash and cash equivalents		<b>47,245</b>	55,269
		<b>338,950</b>	346,995
<b>Total assets</b>		<b>447,816</b>	428,056
<b>Current liabilities</b>			
Trade and bills payables	13	<b>19,148</b>	17,980
Contract liabilities	11	<b>2,095</b>	3,080
Accruals and other payables		<b>36,460</b>	26,986
Lease liabilities		<b>87</b>	159
Bank borrowings	14	<b>79,990</b>	81,000
Tax payable		<b>2,882</b>	2,371
		<b>140,662</b>	131,576
<b>Net current assets</b>		<b>198,288</b>	215,419
<b>Total assets less current liabilities</b>		<b>307,154</b>	296,480

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<u>52</u>	<u>125</u>
<b>Net assets</b>		<b><u>307,102</u></b>	<b><u>296,355</u></b>
<b>Equity</b>			
Share capital	15	<b>8,856</b>	8,856
Reserves		<u>296,882</u>	<u>286,199</u>
<b>Equity attributable to owners of the Company</b>		<b>305,738</b>	295,055
Non-controlling interests		<u>1,364</u>	<u>1,300</u>
<b>Total equity</b>		<b><u>307,102</u></b>	<b><u>296,355</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Equity attributable to owners of the Company						Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2021</b>	8,856	154,249	1,577	11,068	94,763	270,513	1,158	271,671
Profit and total comprehensive income for the year	-	-	-	-	24,542	24,542	142	24,684
Transfer of statutory reserve	-	-	-	3,307	(3,307)	-	-	-
<b>At 31 December 2021 and 1 January 2022</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>14,375</b>	<b>115,998</b>	<b>295,055</b>	<b>1,300</b>	<b>296,355</b>
Profit and total comprehensive income for the year	-	-	-	-	10,683	10,683	64	10,747
Transfer of statutory reserve	-	-	-	1,101	(1,101)	-	-	-
<b>At 31 December 2022</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>15,476</b>	<b>125,580</b>	<b>305,738</b>	<b>1,364</b>	<b>307,102</b>

## NOTES:

### 1. CORPORATE INFORMATION

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

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

At 31 December 2022 and 2021, 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

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

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

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

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2022 comprise the financial result of Company and its subsidiaries.

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

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

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

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

**(c) Changes in accounting policies**

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period for the first time:

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKFRS 16, COVID-19, Related Rent Concessions beyond June 30, 2021
- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018–2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

### 3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

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.

### 4. REVENUE

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	<b>214,736</b>	260,734
– Provision of installation services	<b>12,534</b>	14,186
	<b>227,270</b>	274,920
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	<b>179,642</b>	216,344
– Supply of access floor plates	<b>47,421</b>	57,884
– Provision of installation services	<b>207</b>	692
	<b>227,270</b>	274,920



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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Revenue recognised over time:		
– Sales of access flooring plates	<b>167,315</b>	202,850
– Provision of installation services	<b>12,534</b>	14,186
	<b>179,849</b>	217,036
Revenue recognised at a point in time:		
– Sales of access flooring plates	<b>47,421</b>	57,884
	<b>227,270</b>	274,920

## 5. OTHER REVENUE AND OTHER NET INCOME

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Other revenue:		
Bank interest income	<b>625</b>	288
Other net income or loss:		
Government subsidies ( <i>Note below</i> )	<b>825</b>	685
Scrap sales	<b>1,662</b>	1,500
Net loss on disposal of property, plant and equipment	<b>(201)</b>	(490)
Exchange gain/(loss), net	<b>1,431</b>	(732)
Gain on lease termination	<b>7</b>	418
Bad debts recovered	<b>148</b>	1,630
Sundry income	<b>43</b>	12
	<b>3,915</b>	3,023
	<b>4,540</b>	3,311

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

## 6. OPERATING SEGMENT INFORMATION

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

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

### (a) Segment results, assets and liabilities

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue from external customers	<b>195,623</b>	233,839	<b>31,647</b>	41,081	<b>227,270</b>	274,920
Reportable segment gross profit	<b>37,876</b>	49,566	<b>5,188</b>	12,897	<b>43,064</b>	62,463
Reportable segment results	<b>14,742</b>	23,807	<b>325</b>	8,271	<b>15,067</b>	32,078
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	<b>710</b>	583	<b>115</b>	102	<b>825</b>	685
– Net loss on disposal of property, plant and equipment	<b>(201)</b>	(490)	–	–	<b>(201)</b>	(490)
– Scrap sales	<b>1,662</b>	1,500	–	–	<b>1,662</b>	1,500
– Exchange gain/(loss), net	<b>1,232</b>	(623)	<b>199</b>	(109)	<b>1,431</b>	(732)
– Gain on lease termination	–	4	–	414	–	418
– Bad debt recovered	<b>148</b>	1,630	–	–	<b>148</b>	1,630
– Sundry income	–	6	–	–	–	6
Depreciation and amortisation	<b>3,386</b>	3,291	<b>1,687</b>	1,556	<b>5,073</b>	4,847
Impairment/(reversal of impairment) of trade and bills receivables, net	<b>2,731</b>	(383)	<b>663</b>	(97)	<b>3,394</b>	(480)
Impairment of contract assets, net	<b>1,361</b>	1,165	<b>235</b>	261	<b>1,596</b>	1,426
Reportable segment assets	<b>262,955</b>	295,019	<b>133,185</b>	72,364	<b>396,140</b>	367,383
Additions to non-current segment assets during the year	<b>2,045</b>	1,833	<b>24,614</b>	4,512	<b>26,659</b>	6,345
Reportable segment liabilities	<b>123,341</b>	119,472	<b>12,678</b>	9,848	<b>136,019</b>	129,320

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment total revenue and consolidated revenue	<u>227,270</u>	<u>274,920</u>
<b>Profit or loss</b>		
Reportable segment results	15,067	32,078
Unallocated other revenue	675	294
Unallocated head office and corporate expenses	(676)	(719)
Unallocated finance costs	<u>(3,462)</u>	<u>(3,698)</u>
Consolidated profit before taxation	<u><u>11,604</u></u>	<u><u>27,955</u></u>

(c) **Reconciliations of reportable assets and liabilities**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Assets</b>		
Reportable segment assets	396,140	367,383
Unallocated head office and corporate assets	<u>51,676</u>	<u>60,673</u>
Consolidated total assets	<u><u>447,816</u></u>	<u><u>428,056</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	136,019	129,320
Unallocated head office and corporate liabilities	<u>4,695</u>	<u>2,381</u>
Consolidated total liabilities	<u><u>140,714</u></u>	<u><u>131,701</u></u>

(d) **Information about major customer**

There was no major customer who contributed 10% or more of the total revenue of the Group for the years ended 31 December 2022 and 2021.

(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.

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC	<b>197,955</b>	232,999
Hong Kong	<b>7,243</b>	19,418
Other countries ( <i>Note below</i> )	<b>22,072</b>	22,503
	<hr/> <b>227,270</b> <hr/>	<hr/> 274,920 <hr/>

*Note:* Other countries mainly include The United Arab Emirates, Thailand, Malaysia, Taiwan and Singapore.

**7. FINANCE COSTS**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	<b>3,446</b>	3,313
Loss on derecognition of financial assets upon factoring without recourse	–	308
Unwinding of finance costs on lease liabilities	<b>16</b>	77
	<hr/> <b>3,462</b> <hr/>	<hr/> 3,698 <hr/>

## 8. PROFIT BEFORE TAXATION

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Contract costs of goods sold and services rendered (Note (a))	<b>184,206</b>	212,457
Depreciation of property, plant and equipment	<b>4,660</b>	4,547
Amortisation of right-of-use assets	<b>102</b>	566
Amortisation of other intangible assets	<b>46</b>	48
Amortisation of land use rights	<b>543</b>	173
Impairment/(reversal of impairment) of trade and bills receivables (Note 12(b))	<b>3,394</b>	(480)
Impairment of contract assets (Note 11(a)(vi))	<b>1,596</b>	1,426
Impairment of contract assets and trade and bills receivables, net	<b>4,990</b>	946
Net loss on disposal of property, plant and equipment	<b>201</b>	490
Auditor's remuneration	<b>1,117</b>	996
Short-term operating lease charges in respect of properties and land use rights	<b>1,003</b>	198
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	<b>12,190</b>	11,880
– Contributions to defined contribution retirement plans	<b>2,866</b>	2,743
Research and development costs (Note (b))	<b>9,981</b>	12,111

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 RMB135,861,000 (2021: RMB169,677,000), staff costs of approximately RMB5,393,000 (2021: RMB5,084,000), installation costs of approximately RMB10,410,000 (2021: RMB11,257,000), transportation costs of approximately RMB10,652,000 (2021: RMB12,680,000), depreciation of property, plant and equipment of approximately RMB3,842,000 (2021: RMB3,866,000), amortisation of right-of-use assets of approximately RMBNil (2021: RMB248,000) and short-term operating lease charges in respect of properties and land use rights of approximately RMB764,000 (2021: RMB157,000), 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 RMB5,356,000 (2021: RMB8,371,000), staff costs of approximately RMB2,324,000 (2021: RMB2,152,000) and depreciation of property, plant and equipment of approximately RMB487,000 (2021: RMB327,000), which were included in the respective total amounts disclosed above for each type of these expenses.

## 9. INCOME TAX

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

No provision for the Hong Kong Profits Tax has been made as the Company has no taxable income derived in Hong Kong during the years ended 31 December 2022 and 2021.

Jinyueda Development Limited (“**Jinyueda Development**”) and Victor Best Investment Limited (“**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 2022 and 2021.

LeiShuo Ventures Development Limited and Rui Xing Holdings Limited were incorporated in the BVI and none of them has assessable profits derived in Hong Kong during the years ended 31 December 2022 and 2021.

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 2022 and 2021. Changzhou Jintai Business Information Consulting Co., Ltd. (“**Changzhou Jintai**”) and Changzhou Jingang Business Information Consulting Co., Ltd. (“**Changzhou Jingang**”), which were established in the PRC in 2017, are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits and each of Changzhou Jintai and Changzhou Jingang has no taxable profit since their respective dates of establishment.

During the years ended 31 December 2022 and 2021, in accordance with the then applicable notice “Cai Shui [2015] Notice 119”, “Cai Shui [2018] Notice 99” and the new notice “Cai Shui [2021] Notice 13”, 100% (2021: 100%) 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 2022 and 2021 are disclosed in Note 8(b).

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. At 31 December 2022 and 2021, 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.

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Corporation Income Tax – Charge for the year	<b>1,606</b>	3,026
Deferred tax – Reversal and origination of temporary differences	<u>(749)</u>	<u>245</u>
	<b><u>857</u></b>	<b><u>3,271</u></b>

**10. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the years ended 31 December 2022 and 2021 are based on the following data:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Profit for the year attributable to the owners of the Company</b>	<b><u>10,683</u></b>	<b><u>24,542</u></b>
	<i>'000</i>	<i>'000</i>
<b>Number of ordinary shares</b>		
Number of ordinary shares issued at 1 January and 31 December	<u>1,000,000</u>	<u>1,000,000</u>
Weighted average number of shares at 31 December	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>

Basic earnings per share for the year ended 31 December 2022 amounted to RMB1.07 cents (2021: RMB2.45 cents) per share.

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



## 11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Reported on the consolidated statement of financial position:		
<i>Under current assets</i>		
Contract assets ( <i>Note (a)</i> )	90,895	82,755
Less: Allowance for lifetime ECLs ( <i>Note (a)(vi)</i> )	<u>(5,252)</u>	<u>(3,656)</u>
	<b><u>85,643</u></b>	<b><u>79,099</u></b>
<i>Under current liabilities</i>		
Contract liabilities ( <i>Note (b)</i> )	<b><u>2,095</u></b>	<b><u>3,080</u></b>

### (a) Contract assets

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Rights to consideration for obligations performed on contracts in progress	78,110	70,825
Retention monies receivable on completed contracts	<u>12,785</u>	<u>11,930</u>
	<b><u>90,895</u></b>	<b><u>82,755</u></b>

- (i) As at 31 December 2022 and 2021, 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 2022 and 2021, there was no material dispute received from any of the Group's customers.

- (ii) Movements of the contract assets, before allowance for lifetime ECLs, during the years ended 31 December 2022 and 2021 are as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Beginning of the year	<b>82,755</b>	80,193
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) ( <i>Note 4</i> )	<b>227,270</b>	274,920
– Value-added tax on revenue recognised ( <i>see Note below</i> )	<b>25,734</b>	30,193
	<b>253,004</b>	305,113
Transferred to trade receivables when rights to payments became unconditional	<b>(242,479)</b>	(300,401)
Transferred to and offset by contract liabilities ( <i>Note 11(b)</i> )	<b>(2,385)</b>	(2,150)
End of the year	<b>90,895</b>	82,755

*Note:*

During the years ended 31 December 2022 and 2021, 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 at 13%.

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

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>14,972</b>	11,448
1 to 3 months	<b>7,404</b>	15,502
3 to 6 months	<b>16,952</b>	9,404
6 to 9 months	<b>11,080</b>	19,420
9 to 12 months	<b>3,909</b>	5,953
1–2 years	<b>32,561</b>	19,515
Over 2 years	<b>4,017</b>	1,513
	<b>90,895</b>	82,755

The billings for payments of contract assets, which include the retention monies receivable as further disclosed in Note (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.

Further disclosures on the impairment assessment of contract assets are set out in Note (a)(vi) below, Notes 12(b) and 12(c).

(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 2022, included in contract assets were retention monies receivable from the customers amounting to approximately RMB12,785,000 (2021: RMB11,930,000). The terms and conditions for the release of retention monies held by the customers vary from contract to contract. The retention monies receivable from the customers generally represent 3% to 10% of consideration of the relevant contracts, that are retained by the customers as protection for defects of the transferred access flooring plates and the Group's entitlement to payment of retention monies receivable are conditional upon the customers' final physical inspection of the quality of the transferred access flooring plates at the expiry of the respective product assurance warranty period of the relevant contracts. In the opinion of the directors of the Company, the retention monies retained by the customers under the relevant contracts are not intended as a financing arrangement by the Group to the customers.

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 month	<b>1,412</b>	338
1 to 3 months	<b>835</b>	1,818
3 to 6 months	<b>1,594</b>	1,453
6 to 9 months	<b>1,608</b>	1,980
9 to 12 months	<b>393</b>	1,000
1–2 years	<b>6,736</b>	4,899
Over 2 years	<b>207</b>	442
	<b>12,785</b>	11,930

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 2022, 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.

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:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>6,383</b>	4,155
Between 1 and 2 years	<b>6,402</b>	7,775
	<b>12,785</b>	11,930

(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 management of 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 2022 and 2021. The Group does not hold any collateral as security for the contract assets at 31 December 2022 and 2021.

At 31 December 2022 and 2021, management of the Group estimated the ECLs on contract assets based on the trend of the historic bad debt rates (Note 12(c)(i)) 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 by reference to the forecasted 2023 Gross Domestic Products (“GDP”) growth rate in the PRC which may 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 5.78% (2021: 4.42%, updated to 5.28%, as referred in Note 12(b)), was applied by management of the Group for making provision for the exposures to lifetime ECLs on contract assets at 31 December 2022, further details of which are disclosed in Note 12(b).

At 31 December 2022, allowance for lifetime ECLs on contract assets amounted to approximately RMB5,252,000 (2021: RMB3,656,000).

The movements in allowance for lifetime ECLs on contract assets during the year ended 31 December 2022 is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	3,656	2,230
Under/(over)-allowance of impairment losses in prior years ( <i>Note 12(b)</i> )	715	(333)
Impairment losses recognised	<u>881</u>	<u>1,759</u>
Charge for the year, net	<u>1,596</u>	<u>1,426</u>
At 31 December ( <i>Note 12(c)(ii)</i> )	<u><u>5,252</u></u>	<u><u>3,656</u></u>

**(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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At the beginning of the year	3,080	3,870
Advance considerations received from customers	1,400	1,360
Revenue recognised that was included in the contract liabilities balance at the beginning of the year ( <i>Note 11(a)(ii)</i> )	<u>(2,385)</u>	<u>(2,150)</u>
At the end of the year	<u><u>2,095</u></u>	<u><u>3,080</u></u>

**(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 2022.

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
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	126,449	115,907
Expected to be recognised over one year	<u>11,819</u>	<u>5,788</u>
	<u><u>138,268</u></u>	<u><u>121,695</u></u>

**(d)** The revenue recognised for the years ended 31 December 2022 and 2021 did not include any amount that was related to performance obligations satisfied in previous periods.

## 12. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	175,490	162,132
Bills receivables	4,776	6,150
	<u>180,266</u>	<u>168,282</u>
Less: Allowance for lifetime ECLs ( <i>Notes (b) and (c)</i> )	<u>(29,908)</u>	<u>(26,514)</u>
	<u><u>150,358</u></u>	<u><u>141,768</u></u>

*Notes:*

- (a) An ageing analysis of the trade and bills receivables (net of allowance for lifetime ECLs) as at 31 December 2022, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	57,158	37,031
1 to 3 months	25,490	41,732
3 to 6 months	9,474	17,560
6 to 9 months	15,118	18,348
9 to 12 months	10,332	9,375
1 – 2 years	25,178	9,391
Over 2 years	7,608	8,331
	<u>150,358</u>	<u>141,768</u>

Analyses of the trade and bills receivables categorised by past due status, together with allowance for lifetime ECLs, at 31 December 2022 and 2021 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 2022 and 2021. The trade and bills receivables are non-interest bearing.

(b) Recoverability assessment of contract assets and trade and bills receivables

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by the HKFRS 9 Financial Instruments, which permits the use of lifetime expected loss provision for contract assets and trade and bills receivables. To measure the lifetime ECLs on contract assets and 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, financial difficulties of the defaulted customers and other current conditions at the reporting period end, as adjusted for forward looking information, such as expected economic conditions by reference to the forecast of next year’s GDP in the PRC and subsequent settlements received from the customers after the respective reporting period ends.

Statistical regression model has been adopted to project the estimated lifetime ECL rates on each ageing band of contract assets and trade and bills receivables as at 31 December 2022 and 2021, based on co-efficient relationship of the actual bad debt rates on each ageing bands of trade and bills receivables and contract assets at each reporting period ended 31 December 2014 to 2022 (2021: 2014 to 2021) and the respective annual PRC GDP growth rates following each of these reporting period ends.

The estimates for ECL rates on contract assets and trade and bills receivables, which are based on the statistical regression model, are further adjusted after considering the status of the subsequent settlements received from the customers after the end of the reporting period and additional individual assessment if the relevant customers are defaulted in settlement.

Management of the Group has been closely monitoring the status of accounts owing by its customers during and after the years ended 31 December 2022 and 2021. Close contact with customers has been maintained to ensure there is no major issue arising from the payment process. Consideration would be given to the issuance of pre-action letters and the institution of legal proceedings against the relevant customers to recover outstanding amounts as well as penalty, liquidated damages and other expenses as permitted under the laws of the PRC, and consideration would also be given to the negotiations of new repayment schedules to recover the outstanding debts if necessary.

Set out below is the analysis of the calculation of the ECL rates on contract assets and trade and bills receivables at 31 December 2022, using the co-efficient factors between the bad debt loss rates and the annual PRC GDP growth rates which were derived from the statistical regression model, and adjusted after considering the additional individual assessment of status of subsequent settlements received from the customers and the financial difficulties of the defaulted customers:

	Coefficient of determination (R squared), the proportion of the variance in the ECL rate that is predictable from the following year's PRC GDP growth rate *	Intercept for the linear following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** A %	Coefficient factor between following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** B	Estimated ECL rate at 31 December 2022, based on the regression model C=A+B*2023 GDP growth rate (=5%) *** C	Applied ECL rate at 31 December 2022 after considering individual assessment of customers %
Contract assets	0.58	3.93	-0.4079	1.89	5.78*****
<b>Trade and bills receivables</b>					
Not yet due or current	0.86	5.05	-0.5425	2.33	2.33
<b>Past due:</b>					
Within 1 month	0.70	10.95	-1.0633	5.63	5.63
1-3 months	0.86	26.69	-3.2093	10.65	10.65
3-6 months	0.74	15.71	-1.6065	7.68	11.59*****
6-9 months	0.27	12.57	-0.7563	8.78	13.41*****
9-12 months	0.48	17.18	-1.3588	10.38	16.55*****
1-2 years	0.52	48.93	-4.2907	27.48	35.93*****
Over 2 years	0.79	89.49	-8.4094	47.44	74.51*****
Overall – Trade and bills receivables	0.77	16.04	-1.3256	9.41	16.59*****



\* *The coefficient of determination ranges from 0 to 1, representing 0% to 100% of the variation in the ECL rate at the reporting period end that can be explained by the following year's PRC GDP growth rate.*

\*\* *Intercept =  $(\sum y)(\sum x^2) - (\sum x)(\sum xy)/n(\sum x^2) - (\sum x)^2$  and Coefficient factor =  $n(\sum xy) - (\sum x)(\sum y)/n(\sum x^2) - (\sum x)^2$ , where y is the ECL rate for contract assets and trade and bills receivables falling into each of the ageing bands at the reporting period end and x is the following year's PRC GDP growth rate.*

\*\*\* *The initial official target GDP growth rate for 2023 is 5% as announced by the PRC government. The expected GDP growth rate for 2023 is considered to be reasonable by reference to the estimation of the credit analysts.*

*On 3 February 2023, the International Monetary Fund issued its revised forecast for 2023 PRC GDP growth rate at 5.2%, which is close to management's estimation at 5%.*

\*\*\*\* *ECL rate for each of the above ageing bands of trade and bills receivables of past due within 3–6 months, 6–9 months, 9–12 months, 1–2 years and past due over 2 years are adjusted after considering the status of subsequent settlements received after 31 December 2022 and additional individual assessment on the payment history and patterns of the customers falling into each of these respective ageing bands of trade and bills receivables and financial difficulties of the identified defaulted customers.*

\*\*\*\*\* *ECL rate for contract assets are adjusted after considering additional individual assessment on the payment history and patterns of the customers and financial difficulties of the defaulted customers.*

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.

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 receivables directly. At 31 December 2022, allowance for lifetime ECLs on trade and bills receivables amounted to approximately RMB29,908,000 (2021: RMB26,514,000) was made.

The movements in the allowance for lifetime ECLs on trade and bills receivables during the years ended 31 December 2022 and 2021 are set out below:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At 1 January	<b>26,514</b>	26,994
Under/(over)-allowances of impairment losses in prior years <i>(Note below)</i>	<b>120</b>	(17,411)
Impairment losses recognised	<b>3,274</b>	16,931
Charge/(reversal) for the year, net	<b>3,394</b>	(480)
At 31 December <i>(Note (c)(ii))</i>	<b>29,908</b>	26,514

During the year ended 31 December 2022, management of the Group has been continuing its efforts in chasing the trade debt collections from the customers while the overall economic performance and conditions in the PRC for 2022 were worse than expected, primarily attributable to lock-down of several major cities in the PRC caused by the Omicron variant of COVID-19 in 2022, as reflected by the actual 2022 PRC GDP growth rate being at 3% as compared to 4.34% forecasted by management of the Group by reference to estimates of credit analysts at the beginning of 2022. The estimates for allowance for lifetime expected credit loss and bad debt loss rates on contract assets and trade and bills receivables at 31 December 2021 have been revised, after having considered the updated settlements on contract assets and trade and bills receivables totaling approximately RMB38,503,000 and RMB117,846,000, respectively, received from the Group's customers as follows:

	Gross carrying amount <i>RMB'000</i>	Lifetime ECL (previously reported) (Note (c)(ii) below) <i>RMB'000</i>	Lifetime ECL (revised) <i>RMB'000</i>	Previously reported ECL rate (Note (c)(ii) below) %	Revised lifetime ECL rate %	(Under)/over-allowance for lifetime ECL <i>RMB'000</i>
<b>Contract assets</b>	82,755	3,656	4,371	4.42	5.28	(715)
<b>Trade and bills receivables</b>	168,282	26,514	26,634	15.76	15.83	(120)
<b>Not yet due or current</b>	85,883	2,449	2,683	2.85	3.12	(234)
<b>Past due</b>						
Within 1 month	15,768	953	1,388	6.04	8.80	(435)
1 to 3 months	8,272	1,247	987	15.08	11.94	260
3 to 6 months	17,973	3,047	2,142	16.69	11.92	905
6 to 9 months	6,022	1,030	1,017	17.11	16.89	13
9 to 12 months	8,643	1,693	1,490	19.59	17.24	203
1 to 2 years	17,433	8,949	10,107	51.33	57.97	(1,158)
Over 2 years	8,288	7,146	6,820	86.22	82.29	326
	<u>82,755</u>	<u>3,656</u>	<u>4,371</u>	<u>4.42</u>	<u>5.28</u>	<u>(715)</u>

There were under-allowance of approximately RMB715,000 and RMB120,000 for lifetime ECL on contract assets and trade and bills receivables at 31 December 2021 (see Notes 11(a)(vi) and 12(b)), respectively, which were recognised during the year ended 31 December 2022.

(c) The provision matrix is based on its historical observed bad debt rates, current conditions at the reporting period end as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, financial difficulties of the defaulted customers and forward looking estimates, such as expected economic conditions after the reporting period end. At the reporting period end, the provision matrix of historical observed bad debt rates and the forward looking estimates are analysed and updated.

(i) The matrix analysis of the Group's actual historic bad debt rates on the contract assets and trade and bills receivables at each of the reporting period ends of 2014 to 2021 (as updated for subsequent changes in estimates) and the expected rates for lifetime ECLs on contract assets and trade and bills receivables at 31 December 2022 are as follows:

	Historical bad debt rates							Average	Estimated bad debt	
	at 31 December							historical	rates for	
	2014	2015	2016	2017	2018	2019	2020*	bad debt	lifetime ECL	
							December	at 31 December		
							2014 to	2021*	2022	
							2020			
Contract assets	0.00%	0.00%	0.18%	1.43%	1.65%	2.13%	2.36%	1.11%	5.28%	5.78%
<b>Trade and bills receivables</b>										
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	4.17%	1.34%	1.66%	3.12%	2.33%
Past due:										
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	6.21%	4.09%	8.80%	5.63%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	5.73%	7.17%	11.94%	10.65%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	6.71%	5.42%	11.92%	11.59%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	15.05%	6.85%	16.89%	13.41%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	15.90%	8.01%	17.24%	16.55%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	23.23%	18.71%	57.97%	35.93%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	35.93%	33.83%	82.29%	74.51%
<b>Overall - Trade and bills receivables</b>	<b>3.60%</b>	<b>6.38%</b>	<b>9.32%</b>	<b>6.12%</b>	<b>7.32%</b>	<b>10.69%</b>	<b>12.73%</b>	<b>8.02%</b>	<b>15.83%</b>	<b>16.59%</b>

\* ECL rates for 2021 and 2020 were updated for subsequent changes in estimates.

A higher estimated lifetime ECL rate on contract assets at 31 December 2022 at 5.78% (2021: 5.28%) was applied, after taking into account of several customers individually identified with significant financial difficulties at 31 December 2022.

The ECL rates on each of the ageing bands of trade and bills receivables at 31 December 2022 generally decreased primarily attributable to the expected recovery of the economic performance in the PRC in 2023 by reference to the forecasted official PRC GDP growth rate for 2023 at 5% (as compared to actual GDP growth rate at 3% for 2022) after the uplift of the governmental measures against COVID-19 in December 2022.

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 2022 and 2021 are reasonable and adequate.



### 13. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>19,148</u>	<u>17,980</u>

An ageing analysis of the trade and bills payables as at 31 December 2022, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	16,297	15,752
1 to 3 months	1,738	1,088
3 to 6 months	729	894
Over 6 months	<u>384</u>	<u>246</u>
	<u>19,148</u>	<u>17,980</u>

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

### 14. BANK BORROWINGS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Repayable within 1 year:</b>		
Unsecured bank loans	8,990	30,000
Secured bank loans ( <i>Note (a) below</i> )	41,000	41,000
Guaranteed bank loans ( <i>Note (b) below</i> )	<u>30,000</u>	<u>10,000</u>
	<u>79,990</u>	<u>81,000</u>

At 31 December 2022, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 3.55% to 4.70% (2021: 3.80% to 4.80%) per annum.

Notes:

- (a) At 31 December 2022, bank borrowings totaling approximately RMB41,000,000 (2021: RMB41,000,000) were secured by the following land use rights and leasehold buildings of the Group:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Land use rights	<b>7,694</b>	7,867
Leasehold buildings	<b>6,696</b>	7,350
	<b>14,390</b>	15,217

- (b) At 31 December 2022, bank borrowings of RMB30,000,000 (2021: RMB10,000,000) was jointly guaranteed by an independent financial institution, Mr. Shen and his spouse, Ms. Zhang. Mr. Shen is an executive director of the Company. In the opinion of the directors of the Group, the estimated fair value of the financial guarantee is insignificant and accordingly, it is not recognised in the Group's financial statements.
- (c) At 31 December 2022, the Group had bank borrowings facilities totaling approximately RMB115,000,000 (2021: RMB90,000,000), which were utilised to the extent of approximately RMB79,990,000 (2021: RMB81,000,000) and the Group's available unused credit facilities amounted to approximately RMB35,010,000 (2021: RMB9,000,000).

## 15. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value of ordinary shares</b>	
		<i>HK\$'000</i>	<i>RMB'000</i>
<b>Authorised capital:</b>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	50,000	44,280
<b>Issued capital:</b>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000,000	10,000	8,856

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

## 16. MATERIAL RELATED PARTY TRANSACTION

During the year ended 31 December 2022 and up to the date of this announcement, 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 (“ <b>Jiachen Investment</b> ”)	Being wholly owned by Mr. Shen, has directly held 27.76% of the issued capital of the Company at 31 December 2022 and at the date of approval of the consolidated financial statements.
Xinchen Investment Limited (“ <b>Xinchen Investment</b> ”)	Being wholly-owned by Ms. Zhang Yaying (“ <b>Ms. Zhang</b> ” or “ <b>Mrs. Shen</b> ”), has directly held 23.14% of the issued capital of the Company at 31 December 2022 and at the date of approval of the consolidated financial statements.
Yilong Investment Limited (“ <b>Yilong Investment</b> ”)	Being wholly-owned by Mr. Shen Minghui (“ <b>Mr. Shen MH</b> ”), has directly held 13.15% of the issued capital of the Company at 31 December 2022 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, spouse of Mr. Shen.
Mr. Shen MH	Sole beneficial owner of Yilong Investment and an executive director of the Company, son of Mr. Shen and Mrs. Shen.
Mr. Chen Shiping (“ <b>Mr. Chen</b> ”)	General manager of JiaChen Floor, chief executive officer and executive director of the Company.
Ms. Liu Hui	An executive director of the Company, spouse of Mr. Shen MH.

### (b) Amount due from a shareholder and director

	Maximum outstanding balance during the year			
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mr. Shen	–	1,331	<b>1,331</b>	1,331

The amount due was unsecured, interest free and repaid on 15 March 2022.

(c) **Key management personnel remuneration**

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

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Director's fee	<b>311</b>	273
Salaries and other emoluments	<b>1,607</b>	1,550
Discretionary bonuses	<b>90</b>	81
Pension scheme contributions	<b>174</b>	198
	<b>2,182</b>	2,102

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

**17. DIVIDEND**

No dividend has been paid or declared by the Company for the year ended 31 December 2022 and 2021, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS

### GENERAL OVERVIEW

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

Access flooring products have been widely applied for use in office buildings, industrial office buildings, data centres, classrooms, libraries, etc. The usage of raised access flooring products is increasing at a steady rate in the PRC due to the growth in the continuous investments in new office buildings as well as growing construction area of industrial land. This steady growth trend can mainly be attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in the PRC; (ii) an increase in the number of aging office buildings in the PRC 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 market players in the access floor manufacturing industry in the PRC, the Board believes that a top-down management structure is conducive to further market penetration in the industry. While the sales manager is responsible for: (i) formulating sales and marketing strategy and planning upon the approval of the general manager; (ii) managing major on-site promotional activities; (iii) analysing the market environment, target, planning and business activities on a regular basis; (iv) formulating the market price of the Group's products based on the market and industry situation; (v) negotiating and entering into agreement; (vi) allocating resources for annual sales plan; and (vii) understanding customers' needs by visit, the principal duties of the sales representatives are to expand the customer base, track the existing customers' needs, negotiate and enter into contract with them. As for back-up supporting staff, they assist in supervising contract execution, compiling relevant statistics for analysis and handling customers' concerns in a timely fashion. With the concerted efforts of the staff, the Group continues its commitment to quality access flooring products with different sales and marketing strategies, including improving quality products, brand recognition and the responsiveness to customers. In addition, the Group would also enhance its effort in attending trade fairs and exhibitions, which are considered as good platforms for brand promotion and expansion of customer base.

The Group is committed to exhibiting a high level of consciousness on product design, function and quality and accordingly, it has established a research and development team, the members of which have obtained relevant qualification as assistant engineer (助理工程師). With its strong research and development capability, the Group has made the following achievements: (i) better recombination ability of the coating resin in graphene; and (ii) better performance of the graphene coating powder in terms of coating flexibility, resistance and other technical areas. Attributed to the lockdown of several major Chinese cities resulting from the repeated spreading of the COVID-19 mutant in 2022, the Group spent approximately RMB10.0 million in research and development for the year ended 31 December 2022 as compared to that of approximately RMB 12.1 million for the year ended 31 December 2021.

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 常州市知名商標證書 (Well-known Trademark of Changzhou City\*) by the 常州市知名商標認定委員會 (Recognition Committee of Well-known Trademark of Changzhou City\*) in 2011, 江蘇名牌產品證書 (Jiangsu Famous Brand Certificate\*) by the 江蘇省名牌戰略推進委員會 (Jiangsu Promotion Commission for Famous Brand Strategy\*) in 2017, 企業信用等級證書AAA綜合信譽信用等級 (the accreditation of AAA Credit Enterprise\*) by 聯合信用管理有限公司江蘇分公司 (Jiangsu Branch of Lianhe Credit Information Service Co., Ltd.\*) for the period from 2016 to 2018, 江蘇省質量信用等級 (the accreditation of AA Quality Credit Rating\*) by the 江蘇省市場監督管理局 (Market Supervision Bureau of Jiangsu Province\*) in 2019 and 常州市高新技術產品認定證書 (Changzhou High-tech Product Certification\*) by the 常州市科學技術局 (Science and Technology Bureau of Changzhou City\*) in 2020. Moreover, the Group has been awarded three 實用新型專利證書 (Patent Registration Certificate of New Utility\*) and 發明專利證書 (Patent Registration Certificate\*) respectively for our technologies and products by 中國知識產權局 (China National Intellectual Property Administration\*) in 2021. In 2022, the Group has also been awarded with the following:

- 高新技術企業 (High-tech Enterprise\*) issued by 江蘇省科學技術廳, 江蘇省財政廳及國家稅務總局江蘇省稅務局 (Department of Science and Technology of Jiangsu Province\*, Department of Finance of Jiangsu Province\*, and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation\*);
- 江蘇省專精特新中小企業 (Jiangsu Province Specialized and New Small and Medium-sized Enterprise\*) issued by 江蘇省工業和信息化廳 (Department of Industry and Information Technology of Jiangsu Province\*);
- 品牌質量獎 (Brand Quality Award\*) issued by 中共常州市武進區橫林鎮委員會及常州市武進區橫林鎮人民政府 (Henglin Town Committee of Wujin District of Changzhou City, and the People's Government of Henglin Town, Wujin District of Changzhou City\*);
- 勞動保障誠信企業 (Labor Security Integrity Enterprise\*) issued by 常州市人力資源和社會保障局 (Changzhou Municipal Bureau of Human Resources and Social Security\*);

\* For identification purpose only

- 常州市創建和諧勞動關係先進企業 (Advanced Enterprise for Creating Harmonious Labor Relations in Changzhou City\*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City\*);
- CSA8000 常州市企業社會責任標準達標企業 (CSA8000 Changzhou Corporate Social Responsibility Standard Conformity Enterprise\*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City\*); and
- 中國防靜電裝備品牌企業榮譽證書 (China Anti-static Equipment Brand Enterprise Honor Certificate\*) issued by 中國電子儀器行業協會防靜電裝備分會 (Anti-static Equipment Branch of the China Electronic Instrument Industry Association\*).

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

## PROSPECTS

Although 2023 is expected to remain challenging, the economic recovery from the COVID-19 pandemic is progressing at a slow pace. The policy of "dynamic zero-COVID-19 policy" was abolished in the fourth quarter of 2022, and economic activities are restarting. The PRC has reopened its borders to Hong Kong and foreign tourists by allowing all categories of visas to be issued in first quarter of 2023. The Board is therefore generally optimistic about the medium and long-term prospect of the access flooring products industry and the Group's business operations. The Group will continue to focus its resources to enhance product recognition by improving product technology and upgrading the production line in order to maintain effective cost control and strengthen its competitiveness.

\* For identification purpose only

## BUSINESS OBJECTIVES 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 up to 31 December 2022 is as follows:

Business Strategies	Planned use of net proceeds		Actual use of net proceeds up to 31 December 2021	Amount utilised during the year ended 31 December 2022	Unutilised amount as at 31 December 2022	Expected timeframe for the utilisation of the remaining balance
	(HK\$’million)	%	(HK\$’million)	(HK\$’million)	(HK\$’million)	
1. Increase the production capacity and efficiency						
– acquisition of a parcel of land in Changzhou City	20.9	24.4	20.9	–	–	N/A
– construction of infrastructure including two new factory buildings for production and storage	21.9	25.5	4.3	17.6	–	N/A
– installation of five additional production lines	26.9	31.4	20.9	2.7	3.3	Optimization of production lines has begun in March 2023. The production lines are expected to be ready for production in May 2023.
– installation of environmental friendly and energy-saving facilities and equipment	2.2	2.6	–	0.2	2.0	Installation for the initial part of environmental friendly and energy-saving facilities and equipment will be completed by the end of March 2023. The remaining part will be completed by the end of March 2024.
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.9	5.1	–	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.8	5.0	–	–	N/A

Business Strategies	Planned use of net proceeds		Actual use of net proceeds up to 31 December 2021	Amount utilised during the year ended 31 December 2022	Unutilised amount as at 31 December 2022	Expected timeframe for the utilisation of the remaining balance
	(HK\$'million)	%	(HK\$'million)	(HK\$'million)	(HK\$'million)	
4. Enhancement and optimization of the information technology system	2.3	2.7	-	-	2.3	Enhancement and optimization of the information technology system aims at satisfying the requirements under the expansion of production capacity resulting from the utilisation of the factory buildings. The unutilised amount as at 31 December 2022 is anticipated to be utilised by the end of March 2024.
5. Working capital and general corporate purposes	1.5	1.7	1.5	-	-	N/A
<b>Total</b>	<b>85.8</b>	<b>100</b>	<b>57.7</b>	<b>20.5</b>	<b>7.6</b>	

## SALES ANALYSIS

The Group recorded a consolidated revenue of approximately RMB227.3 million for the year ended 31 December 2022, representing a decrease of approximately RMB47.7 million or 17.3% as compared to that of approximately RMB274.9 million for the year ended 31 December 2021. The decrease in sales revenue for both steel access flooring products and calcium-sulfate access flooring products has contributed to the reduction in the consolidated revenue of the Group.

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Steel access flooring products	195,623	86.1	233,839	85.1
Calcium-sulfate access flooring products	31,647	13.9	41,081	14.9
<b>Total</b>	<b>227,270</b>	<b>100.0</b>	<b>274,920</b>	<b>100.0</b>

For the year ended 31 December 2022, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 86.1% of the total revenue. Revenue derived from sales of steel access flooring products decreased by 16.3% from approximately RMB233.8 million for the year ended 31 December 2021 to approximately RMB195.6 million for the year ended 31 December 2022. This substantial decrease was driven by the tight control measures to combat the spread of the COVID-19 pandemic, which has led to the slow-down of the economic activities in the commercial building construction industry of the PRC.

Revenue derived from sales of calcium-sulfate access flooring products decreased by 23.0% from approximately RMB41.1 million for the year ended 31 December 2021 to approximately RMB31.6 million for the year ended 31 December 2022. This was also attributable to the control measures imposed as mentioned above.

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

	<b>For the year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>
Steel access flooring products	<b>1.39</b>	<b>140.7</b>	1.65	141.7
Calcium-sulfate access flooring products	<b>0.17</b>	<b>186.2</b>	0.21	195.6
<b>Total</b>	<b><u>1.56</u></b>		<b><u>1.86</u></b>	

The decline in sales volume for both steel access flooring products and calcium-sulfate access flooring products was resulted from the stringent control measures implemented to combat the spread of COVID-19 pandemic as mentioned above. This has led to reduction in demand for the Group's products and higher non-variable costs in production.

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. Given the circumstances described above, the Group chose to reduce the selling price of its products so as to foster demand and minimize the adverse impact on profitability.

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

	<b>For the year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	<b>197,955</b>	<b>87.1</b>	232,999	84.8
Hong Kong	<b>7,243</b>	<b>3.2</b>	19,418	7.0
Other country and regions	<b>22,072</b>	<b>9.7</b>	22,503	8.2
<b>Total</b>	<b>227,270</b>	<b>100.0</b>	274,920	100.0

For both of the years ended 31 December 2022 and 2021, the Group's products were mainly sold in the PRC, Hong Kong and to a lesser extent exported to overseas markets such as The United Arab Emirates, Thailand, Malaysia, Taiwan and Singapore.

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

	<b>For the year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Gross profit</b> <i>RMB'000</i>	<b>Gross profit margin</b> %	<b>Gross profit</b> <i>RMB'000</i>	<b>Gross profit margin</b> %
Steel access flooring products	<b>37,876</b>	<b>19.4</b>	49,566	21.2
Calcium-sulfate access flooring products	<b>5,188</b>	<b>16.4</b>	12,897	31.4
<b>Total</b>	<b>43,064</b>	<b>19.0</b>	62,463	22.7

The gross profit from steel access flooring products accounted for the majority of the gross profit of the Group for both of the years ended 31 December 2022 and 2021. 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. Gross profit margin of steel access flooring products for the year ended 31 December 2022 compared to that of the year ended 31 December 2021 reduced by about 1.8 percentage points, while gross profit margin of calcium-sulfate access flooring products for the year ended 31 December 2022 compared to that of the year ended 31 December 2021 reduced by about 15.0 percentage points. The reduction in gross profit margin for these two products was mainly due to the reduction of the selling price in order to foster demand and the increase in non-variable production costs.

## **OPERATING COSTS AND EXPENSES**

Selling and distribution expenses decreased by approximately RMB1.5 million, representing a 17.5% decrease to approximately RMB7.2 million for the year ended 31 December 2022 from approximately RMB8.7 million for the year ended 31 December 2021. The decrease was mainly attributed to the decrease in travelling expenses.

Administrative expenses decreased by approximately RMB4.1 million, representing a 16.8% decrease to approximately RMB20.4 million for the year ended 31 December 2022 from approximately RMB24.5 million for the year ended 31 December 2021. The decrease was mainly attributed to the decrease in research and development costs.

Finance costs decreased by approximately RMB236,000 to approximately RMB3.5 million for the year ended 31 December 2022 from approximately RMB3.7 million for the year ended 31 December 2021. The decrease was mainly due to the reduction in the average interest rates and average bank borrowings during the year ended 31 December 2022.

## **OPERATING RESULTS**

Profit before taxation decreased significantly from approximately RMB28.0 million for the year ended 31 December 2021 to approximately RMB11.6 million for the year ended 31 December 2022. The reduction was mainly attributable to the control measures to combat the spread of the COVID-19 pandemic resulting in the slow-down of the economic activities in the commercial building construction industry in the PRC, which in turn has led to a decrease in the revenue of the Group by approximately 17.3%, and the increase in the impairment of contract assets and trade and bill receivables amounting to approximately RMB5.0 million made for the year ended 31 December 2022 (2021: RMB946,000).

## **RECOVERABILITY ASSESSMENT OF CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES**

The Group applies the simplified approach to provide for ECLs prescribed by the HKFRS 9 Financial Instruments, which permits the use of lifetime expected loss provision for contract assets and trade and bills receivables. To measure the lifetime ECLs on contract assets and 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, financial difficulties of the defaulted customers and other current conditions at the reporting period end, as adjusted for forward looking information, such as expected economic conditions by reference to the forecast of next year's GDP in the PRC and subsequent settlements received from the customers after the respective reporting period ends.



Statistical regression model has been adopted to project the estimated lifetime ECL rates on each ageing band of contract assets and trade and bills receivables as at 31 December 2022 and 2021, based on co-efficient relationship of the actual bad debt rates on each ageing bands of trade and bills receivables and contract assets at each reporting period ended on 31 December 2014 to 2022 (2021: 2014 to 2021) and the respective annual PRC GDP growth rates following each of these reporting period ends.

The estimates for ECL rates on contract assets and trade and bills receivables, which are based on the statistical regression model, are further adjusted after considering the status of the subsequent settlements received from the customers after the end of the reporting period and additional individual assessment if the relevant customers are defaulted in settlement.

Management of the Group has been closely monitoring the status of accounts owing by its customers during and after the year ended 31 December 2022 and 2021. Close contact with customers has been maintained to ensure there is no major issue arising from the payment process. Consideration would be given to the issuance of pre-action letters and the institution of legal proceedings against the relevant customers to recover outstanding amounts as well as penalty, liquidated damages and other expenses as permitted under the laws of the PRC, and consideration would also be given to the negotiations of new repayment schedules to recover the outstanding debts if necessary.

Set out below is the analysis of the calculation of the ECL rates on contract assets and trade and bills receivables at 31 December 2022, using the co-efficient factors between the bad debt loss rates and the annual PRC GDP growth rates which were derived from the statistical regression model, and adjusted after considering the additional individual assessment of the status of subsequent settlements received from the customers and the financial difficulties of the defaulted customers:

	Coefficient of determination (R squared), the proportion of the variance in the ECL rate that is predictable from the following year's PRC GDP growth rate *	Intercept for the linear following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end **	Coefficient factor between following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end **	Estimated ECL rate at 31 December 2022, based on the regression model $C=A+B*2023$ GDP growth rate (=5%) ***	Applied ECL rate at 31 December 2022 after individual assessment of the customers %
		A %	B	C %	
<b>Contract assets</b>	0.58	3.93	-0.4079	1.89	5.78 *****
<b>Trade and bills receivables</b>					
<b>Not yet due or current</b>	0.86	5.05	-0.5425	2.33	2.33
<b>Past due:</b>					
Within 1 month	0.70	10.95	-1.0633	5.63	5.63
1-3 months	0.86	26.69	-3.2093	10.65	10.65
3-6 months	0.74	15.71	-1.6065	7.68	11.59 ****
6-9 months	0.27	12.57	-0.7563	8.78	13.41 ****
9-12 months	0.48	17.18	-1.3588	10.38	16.55 ****
1-2 years	0.52	48.93	-4.2907	27.48	35.93 ****
Over 2 years	0.79	89.49	-8.4094	47.44	74.51 ****
<b>Overall – Trade and bills receivables</b>	<b>0.77</b>	<b>16.04</b>	<b>-1.3256</b>	<b>9.41</b>	<b>16.59 ****</b>

Notes:

- \* *The coefficient of determination ranges from 0 to 1, representing 0% to 100% of the variation in the ECL rate at the reporting period end that can be explained by the following year's PRC GDP growth rate.*
- \*\* *Intercept =  $(\sum y)(\sum x^2) - (\sum x)(\sum xy)/n(\sum x^2) - (\sum x)^2$  and Coefficient factor =  $n(\sum xy) - (\sum x)(\sum y)/n(\sum x^2) - (\sum x)^2$ , where y is the ECL rate for contract assets and trade and bills receivables falling into each of the ageing bands at the reporting period end and x is the following year's PRC GDP growth rate.*
- \*\*\* *The initial official target GDP growth rate for 2023 is 5% as announced by the PRC government. The expected GDP growth rate for 2023 is considered to be reasonable by reference to the estimation of the credit analysts.*  
  
*On 3 February 2023, the International Monetary Fund issued its revised forecast for 2023 PRC GDP growth rate at 5.2%, which is close to management's estimation at 5%.*
- \*\*\*\* *ECL rate for each of the above ageing bands of trade and bills receivables of past due within 3–6 months, 6–9 months, 9–12 months, 1–2 years and past due over 2 years are adjusted after considering the status of subsequent settlement received after 31 December 2022 and additional individual assessment on the payment history and patterns of these customers falling into each of these respective ageing bands of trade and bills receivables and financial difficulties of the identified defaulted customers.*
- \*\*\*\*\* *ECL rate for contract assets are adjusted after considering the additional individual assessment on the payment history and patterns of these customers and financial difficulties of the defaulted customers.*

An analysis of ECL against contract assets and trade and bills receivables at 31 December 2022 is set out below:

	At 31 December 2022			Subsequent settlements	ECL rate on gross amount %
	Gross amount <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Net carrying amount <i>RMB'000</i>	up to 13 March 2023 <i>RMB'000</i>	
<b>Contract assets</b>	<u>90,895</u>	<u>5,252</u>	<u>85,643</u>	<u>11,010</u>	<u>5.78</u>
<b>Trade and bills receivables</b>					
<b>Not yet due or current</b>	78,609	1,835	76,774	33,127	2.33
<b>Past due:</b>					
Within 1 month	8,517	480	8,037	5,245	5.63
1–3 months	9,167	976	8,191	7,884	10.65
3–6 months	15,507	1,797	13,710	11,510	11.59
6–9 months	19,612	2,629	16,983	5,737	13.41
9–12 months	15,442	2,555	12,887	1,659	16.55
1–2 years	13,632	4,898	8,734	3,958	35.93
Over 2 years	<u>19,780</u>	<u>14,738</u>	<u>5,042</u>	<u>671</u>	<u>74.51</u>
Subtotal – Trade and bills receivables	<u>180,266</u>	<u>29,908</u>	<u>150,358</u>	<u>69,791</u>	<u>16.59</u>
<b>Total</b>	<u><u>271,161</u></u>	<u><u>35,160</u></u>	<u><u>236,001</u></u>	<u><u>80,801</u></u>	<u><u>12.97</u></u>

The matrix analysis of the Group's actual historic bad debt rates on the contract assets and trade and bills receivables at each of the reporting period ends of 2014 to 2021 respectively (as updated for subsequent changes in estimates) and the expected rates for lifetime ECLs on contract assets and trade and bills receivables at 31 December 2022 are as follows:

	Historical bad debt rates							Average	Estimated bad	
	at 31 December							historical	debt rates for	
	2014	2015	2016	2017	2018	2019	2020*	bad debt	lifetime ECL	
							at 31	at 31 December		
							December	2021*	2022	
							2014 to			
							2020			
<b>Contract assets</b>	0.00%	0.00%	0.18%	1.43%	1.65%	2.13%	2.36%	1.11%	5.28%	5.78%
<b>Trade and bills receivables</b>										
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	4.17%	1.34%	1.66%	3.12%	2.33%
Past due:										
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	6.21%	4.09%	8.80%	5.63%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	5.73%	7.17%	11.94%	10.65%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	6.71%	5.42%	11.92%	11.59%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	15.05%	6.85%	16.89%	13.41%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	15.90%	8.01%	17.24%	16.55%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	23.23%	18.71%	57.97%	35.93%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	35.93%	33.83%	82.29%	74.51%
<b>Overall - Trade and bills receivables</b>	<b>3.60%</b>	<b>6.38%</b>	<b>9.32%</b>	<b>6.12%</b>	<b>7.32%</b>	<b>10.69%</b>	<b>12.73%</b>	<b>8.02%</b>	<b>15.83%</b>	<b>16.59%</b>

\* ECL rates for 2021 and 2020 were updated for subsequent changes in estimates.

A higher estimated lifetime ECL rate on contract assets at 31 December 2022 at 5.78% (2021: 5.28%) was applied, after taking into account of several customers individually identified with significant financial difficulties at 31 December 2022.

The ECL rates on each of the ageing bands of trade and bills receivables at 31 December 2022 generally decreased primarily attributable to the expected recovery of the economic performance in the PRC in 2023 by reference to the forecasted official PRC GDP growth rate for 2023 at 5% (as compared to actual GDP growth rate of 3% for 2022) after the uplift of the governmental measures against COVID-19 in December 2022.

In the opinion of the Directors, 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 2022 and 2021 are reasonable and adequate.

## **CAPITAL STRUCTURE**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2022, the Group held total assets of approximately RMB447.8 million (31 December 2021: approximately RMB428.1 million), including cash and cash equivalents of approximately RMB47.2 million (31 December 2021: approximately RMB55.3 million). The Group's cash and cash equivalents were mainly denominated in RMB and United States dollars (31 December 2021: RMB and Hong Kong dollars).

As at 31 December 2022, the Group had total liabilities of approximately RMB140.7 million (31 December 2021: approximately RMB131.7 million) which mainly comprised of bank borrowings amounting to RMB80.0 million (31 December 2021: approximately RMB 81.0 million). The Group's bank borrowings were denominated in RMB and bore interest at the rates ranging from 3.55% to 4.70% (31 December 2021: 3.80% to 4.80%).

As at 31 December 2022, 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 10.0% (31 December 2021: 7.8%). This increase was mainly resulted from the decrease in bank balance and cash for the year ended 31 December 2022.

As at 31 December 2022, the Group had available and unused bank facilities of approximately RMB35 million (31 December 2021: approximately RMB9.0 million).

The gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 26.1% and 27.4% as at 31 December 2022 and 31 December 2021 respectively.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had capital commitments amounting to approximately RMB6,479,000 in respect of property, plant and equipment which was contracted but not provided for (31 December 2021: approximately RMB36,241,000).

## **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 2022. 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 2022, the Group had the following charges on its assets:

- (a) Bank borrowings amounting to approximately RMB41.0 million (31 December 2021: approximately RMB41.0 million) were secured by the following assets:
  - (i) land use rights with a carrying value of approximately RMB7.7 million as at 31 December 2022 (31 December 2021: approximately RMB7.9 million);
  - (ii) leasehold buildings with a carrying value of approximately RMB6.7 million as at 31 December 2022 (31 December 2021: approximately RMB7.4 million).
- (b) Restricted bank deposit of approximately RMB2.3 million (31 December 2021: approximately RMB2.8 million) was pledged as security for issuing commercial bills to suppliers.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group had 175 employees (31 December 2021: 183). The total staff costs including directors' remuneration for the year were approximately RMB15.1 million (2021: approximately RMB14.6 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 appraisal system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

## **SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL**

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2022.

The Group did not have other plans for significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group as at 31 December 2022.

## **FUTURE PLANS OR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Reference is made to the Company's announcement dated 25 March 2021, 30 September 2021, 31 December 2022 and 18 March 2022 and 12 October 2022.

As disclosed in the Prospectus, on 20 December 2018, JiaChen Floor, an indirect non-wholly owned subsidiary of the Company, entered into a memorandum of understanding with the Municipal People's Government in Henglin Town, Wujian District in respect of a possible acquisition of the land use right of one parcel of land which is located in Henglin Town, Wujin District, Changzhou City, Jiangsu Province, the PRC (the "**Land**") and a construction plan of construction of factory building thereon. On 4 March 2022, the Group and the vendor entered into a land acquisition agreement pursuant to which the Group agreed to acquire a portion of the Land covering an area of 35.67 mu for a consideration of RMB16,050,000. On 12 October 2022, the Group and the same vendor entered into another land acquisition agreement pursuant to which the Group agreed to acquire the remaining parcel of the Land covering an area of 29.19 mu for a consideration of RMB11,680,000.

Save as disclosed above and elsewhere in this announcement, during the year ended 31 December 2022, the Group did not have other plans for material investments or capital assets.



## **CAPITAL EXPENDITURE**

For the year ended 31 December 2022, the Group spent approximately RMB26.7 million (2021 approximately RMB5.9 million) on capital expenditure, which was primarily related to the addition to construction in progress and acquisition of plant and machinery.

## **EVENT AFTER THE REPORTING PERIOD**

There was no significant event subsequent to 31 December 2022 and up to the date of this announcement.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## **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 2022, the Company has complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **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 2022. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the year ended 31 December 2022 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Xie Xing (Chairman), Mr. Wang Li and Ms. Long Mei.

The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with management the internal controls of the Group. It has also reviewed the consolidated financial results of the Group for the year ended 31 December 2022.

## **SCOPE OF WORK OF CROWE (HK) CPA LIMITED**

The figures in respect of the Company’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Company’s consolidated financial statements for the year ended 31 December 2022. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this announcement.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Company ([www.jiachencn.com.cn](http://www.jiachencn.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The annual report of the Company for the year ended 31 December 2022 containing all relevant information required under the Listing Rules will be despatched to the shareholders of the Company and available on the respective websites of the Stock Exchange and the Company in due course.

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

Changzhou, the People’s Republic of China, 30 March 2023

*As at the date of this announcement, the executive Directors are Mr. SHEN Min (Chairman), Mr. SHEN Minghui, Mr. CHEN Shipping (Chief Executive Officer) and Ms. LIU Hui; and the independent non-executive Directors are Mr. XIE Xing, Mr. WANG Li and Ms. LONG Mei.*