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 2021

RESULTS

The board of directors (the "**Directors**" and the "**Board**", respectively) presents the unaudited consolidated financial results of JiaChen Holding Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 (the "**2021 Financial Results**"), together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Audited)
Revenue	4	**274,920**	182,178
Cost of sales		**(212,457)**	(144,422)
Gross profit		**62,463**	37,756
Other revenue and other net income	5	**3,311**	12,388
Selling and distribution expenses		**(8,696)**	(5,580)
Impairment of contract assets and trade receivables	8	**(946)**	(15,464)
Reversal of impairment of other receivables	8	**–**	213
Administrative expenses		**(24,479)**	(22,493)
Profit from operations		**31,653**	6,820
Finance costs	7	**(3,698)**	(5,062)
Profit before taxation	8	**27,955**	1,758
Income tax	9	**(3,271)**	(970)
Profit and total comprehensive income for the year		**24,684**	788
Attributable to:			
Owners of the Company		**24,542**	744
Non-controlling interests		**142**	44
Profit and total comprehensive income for the year		**24,684**	788
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted earnings per share	10	**2.45**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**30,088**	29,394
Land use rights		**7,692**	7,867
Right-of-use assets		**277**	531
Other intangible assets		**48**	94
Long-term deposits and prepayments		**38,142**	55,000
Deferred tax assets		**4,814**	5,059
		81,061	97,945
Current assets			
Inventories		**50,870**	30,959
Contract assets	11	**79,099**	77,963
Trade and bills receivables	12	**141,768**	119,381
Deposits, prepayments and other receivables		**15,897**	12,332
Amount due from a shareholder		**1,331**	–
Restricted bank deposits		**2,761**	4,616
Cash and cash equivalents		**55,269**	52,599
		346,995	297,850
Total assets		**428,056**	395,795
Current liabilities			
Trade and bills payables	13	**17,980**	27,797
Contract liabilities	11	**3,080**	3,870
Accruals and other payables		**26,986**	17,966
Lease liabilities		**159**	883
Bank borrowings	14	**81,000**	71,000
Tax payable		**2,371**	1,742
		131,576	123,258
Net current assets		**215,419**	174,592
Total assets less current liabilities		**296,480**	272,537

	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		**125**	866
Net assets		**296,355**	271,671
Equity			
Share capital	15	**8,856**	8,856
Reserves		**286,199**	261,657
Equity attributable to owners of the Company		**295,055**	270,513
Non-controlling interests		**1,300**	1,158
Total equity		**296,355**	271,671

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Equity attributable to owners of the Company							
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Retained profits**	**Sub-total**	**Non-controlling interest**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020 (Audited)	–	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Issuance of shares under capitalization issue	6,642	(6,642)	–	–	–	–	–	–
Issuance of shares under the Global Offering (as defined in note 10)	2,214	115,128	–	–	–	117,342	–	117,342
Sharing issuing costs	–	(16,164)	–	–	–	(16,164)	–	(16,164)
Effects arising from capital contribution to a partially-held subsidiary	–	–	9	–	557	566	(566)	–
Profit and total comprehensive income for the year	–	–	–	–	744	744	44	788
Transfer of statutory reserve	–	–	–	935	(935)	–	–	–
At 31 December 2020 and 1 January 2021 (Audited)	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)	–	–	–
At 31 December 2021 (Unaudited)	8,856	154,249	1,577	14,375	115,998	295,055	1,300	296,355

NOTES:

1. CORPORATE INFORMATION

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

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

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

* *For identification purpose only.*

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), the collective term of which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 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 consolidated financial statements for the current accounting period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

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 consolidated financial statements.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	**260,734**	173,126
– Provision of installation services	**14,186**	9,052
	274,920	182,178
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	**216,344**	147,627
– Supply of access floor plates	**57,884**	34,535
– Provision of installation services	**692**	16
	274,920	182,178

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognised over time:		
– Sales of access flooring plates	**202,850**	138,591
– Provision of installation services	**14,186**	9,052
	217,036	147,643
Revenue recognised at a point in time:		
– Sales of access flooring plates	**57,884**	34,535
	274,920	182,178

5. OTHER REVENUE AND OTHER NET INCOME

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other revenue:		
– Bank interest income	**288**	270
– Other interest income	**–**	796
	288	1,066
Other net income or loss:		
– Government grants and subsidies *(Note below)*	**685**	10,571
– Scrap sales	**1,500**	901
– Net loss on disposal of property, plant and equipment	**(490)**	(39)
– Exchange loss, net	**(732)**	(269)
– Gain on lease termination	**418**	–
– Bad debt recovered	**1,630**	–
– Sundry income	**12**	158
	3,023	11,322
	3,311	12,388

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

6. OPERATING SEGMENT INFORMATION

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

– Steel access flooring plates; and

– Calcium-sulfate access flooring plates.

(a) Segment results, assets and liability

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

– Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and other payables and bank and other borrowings attributable to each reporting segment, with the exception of 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 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 2021 and 2020 is set out below.

	Steel access flooring plates		**Calcium-sulfate access flooring plates**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment revenue from external customers	**233,839**	146,973	**41,081**	35,205	**274,920**	182,178
Reportable segment gross profit	**49,566**	28,814	**12,897**	8,942	**62,463**	37,756
Reportable segment profit	**23,807**	8,011	**8,271**	3,712	**32,078**	11,723
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	**583**	8,528	**102**	2,043	**685**	10,571
– Net loss on disposal of property, plant and equipment	**(490)**	(39)	**–**	–	**(490)**	(39)
– Scrap sales	**1,500**	901	**–**	–	**1,500**	901
– Exchange loss, net	**(623)**	(217)	**(109)**	(52)	**(732)**	(269)
– Gain on lease termination	**4**	–	**414**	–	**418**	–
– Bad debt recovered	**1,630**	–	**–**	–	**1,630**	–
– Sundry income	**6**	158	**–**	–	**6**	158
Depreciation and amortisation	**3,291**	3,505	**1,556**	2,005	**4,847**	5,510
(Reversal of impairment)/ impairment of trade and bills receivables	**(383)**	11,751	**(97)**	2,814	**(480)**	14,565
Impairment of contract assets	**1,165**	725	**261**	174	**1,426**	899
Reversal of impairment of other receivables	**–**	(213)	**–**	–	**–**	(213)
Reportable segment assets	**295,019**	273,918	**72,364**	61,266	**367,383**	335,184
Additions to non-current segment assets during the year	**1,833**	4,857	**4,512**	1,409	**6,345**	6,266
Reportable segment liabilities	**119,472**	111,275	**9,848**	11,107	**129,320**	122,382

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
Reportable segment total revenue and consolidated revenue	**274,920**	182,178
Profit or loss		
Reportable segment results	**32,078**	11,723
Unallocated other revenue	**294**	1,066
Unallocated head office and corporate expenses	**(719)**	(5,969)
Unallocated finance costs	**(3,698)**	(5,062)
Consolidated profit before taxation	**27,955**	1,758

(c) Reconciliations of reportable assets and liabilities

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	**367,383**	335,184
Unallocated head office and corporate assets	**60,673**	60,611
Consolidated total assets	**428,056**	395,795
Liabilities		
Reportable segment liabilities	**129,320**	122,382
Unallocated head office and corporate liabilities	**2,381**	1,742
Consolidated total liabilities	**131,701**	124,124

(d) Information about major customers

There was no major customer who contributed 10% or more of the total revenue of the Group for the years ended 31 December 2021 and 2020.

(e) Geographical information

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

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC	**232,999**	157,011
Hong Kong	**19,418**	1,653
Other countries and regions *(Note below)*	**22,503**	23,514
	274,920	182,178

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

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank borrowings	**3,313**	4,772
Loss on derecognition of financial assets upon factoring without recourse	**308**	184
Unwinding of finance costs on lease liabilities	**77**	106
	3,698	5,062

8. PROFIT BEFORE TAXATION

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract costs of goods sold and services rendered *(Note (a))*	**212,457**	144,422
Depreciation of property, plant and equipment	**5,113**	4,904
Depreciation of right-of-use assets	**566**	887
Amortisation of other intangible assets	**48**	48
Amortisation of land use rights	**173**	173
(Reversal of impairment)/impairment of trade receivables *(Note 12(b))*	**(480)**	14,565
Impairment of contract assets *(Note 11(a)(vi))*	**1,426**	899
	946	15,464
Reversal of impairment of other receivables	**–**	(213)
Net loss on disposal of property, plant and equipment	**490**	39
Auditor's remuneration	**996**	926
Listing expenses relating to other professional fees	**–**	4,811
Operating lease charges in respect of properties and land use rights	**198**	166
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**11,880**	12,351
– Contributions to defined contribution retirement plans	**2,743**	1,423
Research and development costs *(Note (b))*	**12,111**	7,043

Note:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of the goods sold and services rendered were the raw materials consumed of approximately RMB169,677,000 (2020: RMB108,938,000), staff costs of approximately RMB5,084,000 (2020: RMB5,443,000), installation costs of approximately RMB11,257,000 (2020: RMB7,961,000), transportation costs of approximately RMB12,680,000 (2020: RMB7,561,000), depreciation of property, plant and equipment of approximately RMB3,866,000 (2020: RMB3,966,000) and amortisation of right-of-use assets of approximately RMB248,000 (2020: RMB647,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB8,371,000 (2020: RMB4,805,000), staff costs of approximately RMB2,152,000 (2020: RMB1,253,000) and depreciation of property, plant and equipment of approximately RMB327,000 (2020: RMB373,000), of which, their respective total amounts were disclosed above for each type of these expenses.

9. INCOME TAX

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

No provision for the Hong Kong Profits Tax has been made as the Company has no taxable income derived in Hong Kong during the years ended 31 December 2021 and 2020.

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 2021 and 2020.

LeiShuo Ventures Development Limited and Rui Xing Holdings Limited were incorporated in the British Virgin Islands and none of them has assessable profits derived in Hong Kong during the years ended 31 December 2021 and 2020.

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 2021 and 2020. 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 2021 and 2020, in accordance with the then applicable notice "**Cai Shui [2015] Notice 119**" and the new notice "**Cai Shui [2018] Notice 99**", 75% of the Group's qualifying research and development expenses were allowed, respectively, as additional deductions for the purposes of the CIT calculations. Details of the Group's research and development expenses during the years ended 31 December 2021 and 2020 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 2021 and 2020, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

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

	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Current tax – PRC Corporation Income Tax		
– Charge for the year	**3,026**	3,290
Deferred tax		
– Origination and reversal of temporary differences	**245**	(2,320)
	3,271	970

10. EARNINGS PER SHARE

The Company completed the Listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including 10,130 ordinary shares in issue at 31 December 2019, an aggregate of 250,000,000 new ordinary shares issued under the global offering to the public in Hong Kong and under placing arrangement with selected professional institutional and other investors (the "**Global Offering**"), and 749,989,870 new ordinary shares issued by way of capitalisation out of the share premium to the Company's shareholders. The calculation of the basic earnings per share for each of the two years ended 31 December 2021 and 2020 is based on the following data:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**24,542**	744
	'000	*'000*
Number of ordinary shares		
Number of ordinary shares for the purpose of basic earnings per share at the beginning of the reporting period	**1,000,000**	750,000
Effect of shares issued under the Global Offering	**–**	239,754
Number of ordinary shares for the purpose of basic earnings per share	**1,000,000**	989,754

Basic earnings per share for the year ended 31 December 2021 amounted to RMB2.45 cent (2020: RMB0.08 cents) per share. The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 16 January 2020, as if it had been effective at the beginning of the Reorganisation and on 1 January 2019.

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

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reported on the consolidated statement of financial position:		
Under current assets		
Contract assets *(Note (a))*	**82,755**	80,193
Less: Allowance for expected credit losses *(Note (a)(vi))*	**(3,656)**	(2,230)
	79,099	77,963
Under current liabilities		
Contract liabilities *(Note (b))*	**3,080**	3,870

(a) Contract assets

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Rights to consideration for obligations performed on contracts in progress	**70,825**	63,458
Retention monies receivable on completed contracts	**11,930**	16,735
	82,755	80,193

(i) As at 31 December 2021 and 2020, 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 2021 and 2020, there were no material dispute received from any of the Group's customers.

(ii) Movements of the contract assets, before allowance for expected credit losses, during the year ended 31 December 2021 are as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Beginning of the year	**80,193**	62,446
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) *(Note 4)*	**274,920**	182,178
– Value-added tax on revenue recognised *(Note below)*	**30,193**	21,770
	305,113	203,948
Transferred to trade receivables when rights to payments became unconditional	**(300,401)**	(185,616)
Transferred to and offset by contract liabilities	**(2,150)**	(585)
End of the year	**82,755**	80,193

Note:

During the years ended 31 December 2021 and 2020, 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 ranging from 9% – 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, based on the date of revenue recognition and before allowance for lifetime ECL, is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**11,448**	15,307
1 to 3 months	**15,502**	21,009
3 to 6 months	**9,404**	9,575
6 to 9 months	**19,420**	7,805
9 to 12 months	**5,953**	1,060
1 – 2 years	**19,515**	25,217
Over 2 years	**1,513**	220
	82,755	80,193

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

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

The Group's actual historic bad debt rates of contract assets as at 31 December 2014, 2015, 2016, 2017, 2018 and 2019 were 0%, 0%, 0.18%, 1.43%, 1.65% and 2.13%, respectively.

Further disclosures on the recoverability assessment of contract assets are set out in Note 11(a)(vi) and Note 12(c) below.

(iv) Retention monies receivable

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

At 31 December 2021, included in contract assets were retention monies receivable from the customers amounting to approximately RMB11,930,000 (2020: approximately RMB16,735,000). The terms and conditions for the release of retention monies held by the customers vary from contract to contract. The retention monies receivable from the customers generally represent 3% to 10% of consideration of the relevant contracts, that are retained by the customers as protection for defects of the transferred access flooring plates and the Group's entitlement to payment of retention monies receivable are conditional upon the customers' final physical inspection of the quality of the transferred access flooring plates at the expiry of the respective product assurance warranty period of the relevant contracts. In the opinion of the directors of the Company, the retention monies retained by the customers under the relevant contracts are not intended as a financing arrangement by the Group to the customers.

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**338**	1,658
1 to 3 months	**1,818**	2,396
3 to 6 months	**1,453**	697
6 to 9 months	**1,980**	797
9 to 12 months	**1,000**	168
1 – 2 years	**4,899**	10,886
Over 2 years	**442**	133
	11,930	16,735

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 2021, management of the Group was not aware of any material disputes or events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates and/or installation services sold to the customers.

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

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**4,155**	11,412
Between 1 and 2 years	**7,775**	5,323
	11,930	16,735

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

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of the contracts. The Group's customers are mainly the large property developers and state-owned enterprises with high credit rating and their payment history with the Group are considered to be good. There was no material dispute or claim received from any of the customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the customers. The Group concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the rates for expected credit loss for contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the net carrying amount of contract assets (after deduction of allowance for expected credit losses) are still considered fully recoverable at 31 December 2021. The Group does not hold any collateral as security for the contract assets at 31 December 2021.

The historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016, 2017, 2018 and 2019 were 0%, 0%, 0.18%, 1.43%, 1.65% and 2.13%, respectively. At 31 December 2021 and 2020, management of the Group estimated the expected credit losses on contract assets based on the trend of the historic bad debt rates of contract assets, taking into account of the history of billings to and settlements from the customers, other factors specific to the customers and forward looking information, such as the economic and market conditions which might have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts. The rates of 4.42% (2020: 2.78%) was applied by management of the Group for making provision for the exposures to expected credit losses on contract assets at 31 December 2021.

At 31 December 2021, allowance for expected credit losses on contract assets amounted to approximately RMB3,656,000 (2020: RMB2,230,000).

The movements in allowance for expected credit losses on contract assets during the year ended 31 December 2021 are as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**2,230**	1,331
Charge for the year	**1,426**	899
At 31 December	**3,656**	2,230

(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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the year	**3,870**	2,186
Advance considerations received from customers	**1,360**	2,269
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(2,150)**	(585)
At the end of the year	**3,080**	3,870

(c) The revenue recognised in each of the years ended 31 December 2021 and 2020 did not include any amount, respectively, that was related to performance obligations satisfied in previous periods.

12. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**162,132**	142,583
Bills receivables	**6,150**	3,792
	168,282	146,375
Less: Allowance for lifetime ECL *(Notes (b) and (c))*	**(26,514)**	(26,994)
	141,768	119,381

Note:

(a) An ageing analysis of the trade and bills receivables (net of allowance for lifetime ECL) as at 31 December 2021, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**37,031**	18,598
1 to 3 months	**41,732**	12,064
3 to 6 months	**17,560**	14,707
6 to 9 months	**18,348**	5,776
9 to 12 months	**9,375**	3,013
1 – 2 years	**9,391**	59,130
Over 2 years	**8,331**	6,093
	141,768	119,381

Analyses of the trade and bills receivables categorised by past due status, together with allowance for expected credit losses, at 31 December 2021 and 2020 are set out in Notes 12(b) and 12(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 2021 and 2020. The trade and bills receivables are non-interest bearing.

The bases for the measurement of lifetime ECL of trade and bills receivables are set out in Note 12(c) below.

(b) Impairment assessment of trade and bills receivables

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

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

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

At 31 December 2021, allowance for expected credit losses on trade and bills receivables amounted to approximately RMB26,514,000 (2020: RMB26,994,000), was made for the lifetime expected loss of the customers of the Group.

The movements in the allowance for expected credit losses on trade and bills receivables during the year ended 31 December 2021 are set out below:

	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
At 1 January	**26,994**	15,006
(Reversal)/charge for the year	**(480)**	14,565
Write-off	**–**	(2,577)
At 31 December	**26,514**	26,994

(c) In order to determine the expected credit losses for the portfolio of contract assets and trade and bills receivables at 31 December 2021 and 2020, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt rates, adjusted for factors specific to the customers such as subsequent settlements from the customers and forward looking economic and market conditions which might have impacts on the financial performance, position and cash flows of the Group's customers and, in consequence, the customers' abilities to settle their trade debts. At the reporting period end, the historical observed bad debt rates and the forward looking estimates are updated.

The matrix analysis of the Group's actual historic bad debt rates on the trade and bills receivables as at 31 December 2014, 2015, 2016, 2017, 2018 and 2019, and the expected rates for lifetime ECL on trade and bills receivables at 31 December 2021 and 2020 are as follows:

	Historical bad debt rates at 31 December						**Average historical bad debt rates at 31 December**		**Estimated bad debt rates applied for lifetime ECL at 31 December**	
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2014 to 2018**	**2014 to 2019**	**2020**	**2021**
Trade and bills receivables										
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	4.17%	1.23%	1.72%	2.85%	2.85%
Past due:										
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	2.70%	3.74%	11.12%	6.04%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	3.70%	7.41%	13.20%	15.08%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	3.70%	5.21%	15.56%	16.96%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	5.01%	5.48%	17.10%	17.11%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	5.29%	6.69%	19.30%	19.59%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	16.41%	17.96%	39.26%	51.33%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	27.53%	33.48%	56.28%	86.22%
Trade and bills receivables – Overall	3.60%	6.38%	9.32%	6.12%	7.32%	10.69%	6.55%	7.24%	18.44%	15.76%

The observed historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016, 2017, 2018 and 2019 were 0%, 0%, 0.18%, 1.43%, 1.65% and 2.13%, respectively. The Group applied the lifetime ECL rate of 2.78% and 4.42% on the contract assets at 31 December 2020 and 2021, respectively, for measuring the exposures to lifetime ECL on its contract assets at 31 December 2020 and 2021, taking into account of factors specific to the customers such as history and patterns of billings to and settlements from the customers and forward looking information such as the expected economic conditions which might have impacts on the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts.

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECL of the Group's trade and bills receivables and contract assets at 31 December 2021 and 2020 are reasonable and adequate.

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2021 and 2020:

		As at 31 December 2021		
	Lifetime ECL	**Gross carrying amount**	**Lifetime ECL**	**Net carrying amount**
		RMB'000	***RMB'000***	***RMB'000***
		(Unaudited)	**(Unaudited)**	**(Unaudited)**
Contract assets *(Note 11)*	**4.42%**	**82,755**	**3,656**	**79,099**
Trade and bills receivables *(see below)*	**15.76%**	**168,282**	**26,514**	**141,768**
		251,037	**30,170**	**220,867**
Trade and bills receivables: Not yet due or current	**2.85%**	**85,883**	**2,449**	**83,434**
Past due				
Within 1 month	**6.04%**	**15,768**	**953**	**14,815**
1 to 3 months	**15.08%**	**8,272**	**1,247**	**7,025**
3 to 6 months	**16.96%**	**17,973**	**3,047**	**14,926**
6 to 9 months	**17.11%**	**6,022**	**1,030**	**4,992**
9 to 12 months	**19.59%**	**8,643**	**1,693**	**6,950**
1 to 2 years	**51.33%**	**17,433**	**8,949**	**8,484**
Over 2 years	**86.22%**	**8,288**	**7,146**	**1,142**
	15.76%	**168,282**	**26,514**	**141,768**

		As at 31 December 2020		
	Lifetime ECL	Gross carrying amount	Lifetime ECL	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
		(Audited)	(Audited)	(Audited)
Contract assets *(Note 11)*	2.78%	80,193	2,230	77,963
Trade and bills receivables *(see below)*	18.44%	146,375	26,994	119,381
		226,568	29,224	197,344
Trade and bills receivables: Not yet due or current	2.85%	37,977	1,082	36,895
Past due				
Within 1 month	11.12%	4,910	546	4,364
1 to 3 months	13.20%	7,282	961	6,321
3 to 6 months	15.56%	5,432	845	4,587
6 to 9 months	17.10%	16,888	2,888	14,000
9 to 12 months	19.30%	46,939	9,059	37,880
1 to 2 years	39.26%	20,876	8,196	12,680
Over 2 years	56.28%	6,071	3,417	2,654
	18.44%	146,375	26,994	119,381

13. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**17,980**	26,656
Bills payables	**–**	1,141
	17,980	27,797

An ageing analysis of the trade payables as at 31 December 2021, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**15,752**	22,031
1 to 3 months	**1,088**	2,591
3 to 6 months	**894**	2,811
Over 6 months	**246**	364
	17,980	27,797

Trade 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 was as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Repayable within 1 year:		
Unsecured bank loans	**30,000**	30,000
Secured bank loans *(Note (a))*	**41,000**	41,000
Guaranteed bank loans *(Note (b))*	**10,000**	–
	81,000	71,000

At 31 December 2021, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 3.8% to 4.8% (2020: 4.50% to 4.80%) per annum.

Note:

(a) At 31 December 2021, bank borrowings totaling approximately RMB41,000,000 (2020: RMB41,000,000) were secured by the following land use rights, leasehold buildings and trade receivables of the Group:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Land use rights	**7,867**	8,040
Leasehold buildings	**7,350**	8,005
	15,217	16,045

(b) At 31 December 2021, bank borrowings of RMB10,000,000 was jointly guaranteed by an independent financial institution, Mr. Shen Min and his spouse, Ms Zhang Yaying. Mr. Shen Min is an executive Director of the Company.

(c) At 31 December 2021, the Group had banking and other borrowings facilities totaling approximately RMB90,000,000 (2020: RMB80,000,000), which were utilised to the extent of approximately RMB81,000,000 (2020: RMB71,000,000) and the Group's available unused credit facilities amounted to approximately RMB9,000,000 (2020: RMB9,000,000).

15. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares
		HK$'000
Authorised capital:		
At 31 December 2020 (Audited), 1 January 2021 (Unaudited) and 31 December 2021 (Unaudited)	5,000,000,000	50,000
Issued capital:		
At 1 January 2020 (Audited)	10,130	–*
Issuance of new shares under capitalization issue	749,989,870	7,500
Issuance of new shares upon the Global Offering	250,000,000	2,500
At 31 December 2020 (Audited) and 31 December 2021 (Unaudited)	1,000,000,000	10,000

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

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

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

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

16. MATERIAL RELATED PARTY TRANSACTION

Key management personnel remuneration

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Director's fee	**273**	294
Salaries and other emoluments	**1,631**	1,482
Pension scheme contributions	**198**	88
	2,102	1,864

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 during the two years ended 31 December 2020 and 2021.

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.

The Group's presence in the access flooring manufacturing industry is established in the PRC. The Group has been awarded ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Assessment) certificates. With the commitment to quality control, the Group's market recognition and service quality are further underpinned. The Group has also been awarded the "Well-known Trademark of Changzhou City" (常州市知名商標證書) by the Recognition Committee of Well-known Trademark of Changzhou City (常州市知名商標認定委員會) in 2011, "Jiangsu Famous Brand Certificate" (江蘇名牌產品證書) by the Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會) in 2017, the accreditation of AAA Credit Enterprise (企業信用等級證書AAA綜合信譽信用等級) by Jiangsu Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司江蘇分公司) for the period from 2016 to 2018, the accreditation of AA Quality Credit Rating (江蘇省質量信用等級) by the Market Supervision Bureau of Jiangsu Province (江蘇省市場監督管理局) in 2019, the "Changzhou High-tech Product Certification" (常州市高新技術產品認定證書) by the Science and Technology Bur (Bureau of Changzhou City (常州市科學技術局) in 2020 and the "Brand Enterprises of Anti-Static Equipments Manufacturing in China" by China Electronic Instrument Industry Association (中國電子儀器行業協會－防靜電裝備分會) in 2022. Moreover, the Group has been awarded three "Patent Registration Certificate of New Utility" (實用新型專利證書) and "Patent Registration Certificate" (發明專利證書) respectively for our technologies and products by China National Intellectual Property Administration (中國知識產權局) in 2021.

NEW BUSINESS VENTURE

On 20 October 2021 the Company announced that the Group has established two wholly-owned subsidiaries, namely 佳辰碳中和科技常州有限公司 (Jiachen Carbon Neutral Technology (Changzhou) Company Limited) ("**Jiachen Carbon Neutral**") and 運鴻低碳環保科技湖北有限公司 (Yunhong Low Carbon Environmental Technology (Hubei) Company Limited) ("**Yunhong Low Carbon Environmental**") which engage in (i) the research and development of new recyclable natural resources, energy retrieval systems and recycling of wastes from building materials; (ii) sales of environmental protection equipment; and (iii) consultation services for environmental protections, and on 31 December 2021, the Company further announced that the following agreements were entered into with 運鴻環保科技有限公司 (Yunhong Environmental Technology Co., Ltd.) ("**Yunhong Environmental**"), a company established in the PRC and ultimately owned by Mr. Li Yubao, a substantial shareholder and a connected person of the Company by virtue of the 10% equity interest in the Company beneficially held by a corporation controlled by him:

1. Strategic Co-operation Agreement

The Company and Yunhong Environmental entered into the strategic co-operation agreement pursuant to which both parties shall co-operate in the following ways: (i) the Company and/or its subsidiaries will be appointed as sales agents for Yunhong Environmental for the sale of the fully degradable non-woven melt-blown cloth and fully degradable tableware manufactured by Yunhong Environmental (the "**Degradable Products**") in the designated areas for the sales of the Degradable Products as specified under the agency co-operation agreements; and (ii) the Company and/or its subsidiaries will assist in identifying potential investors for Yunhong Environmental to invest in Yunhong Environmental for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

2. Agency Co-operation Agreements

Each of Jiachen Carbon Neutral and Yunhong Low Carbon Environmental entered into the agency co-operation agreements with Yunhong Environmental, pursuant to which Jiachen Carbon Neutral and Yunhong Low Carbon Environmental are appointed as sales agents for Yunhong Environmental for the sale of the Degradable Products in the designated areas for the sale of the Degradable Products as specified under the Agency Co-operation Agreements for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

3. Introduction of Investors Agreements

Each of Jiachen Carbon Neutral and Yunhong Low Carbon Environmental entered into the introduction of investors agreements with Yunhong Environmental, pursuant to which both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental will assist Yunhong Environmental in identifying potential investors to invest in Yunhong Environmental in the construction of production sites for the Degradable Products for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

Details about the above agreements are set out in the Company's announcements dated 31 December 2021 and 15 February 2022.

The Board anticipates that there is a market demand for the Degradable Products and the Group can leverage on its existing sales, marketing team and the network to reach out existing customers for the Degradable Products and the potential investors at a considerably insignificant capital investment. In addition, having considered the industry development and industry experience of Mr. Li Yubao, the national strategic objectives of combating white pollution and application and development of fully degradable environmental materials and the synergy of co-operation with Yunhong Environmental, the entering into of the above agreements will diversify the income stream and the business risks of the Group. The Company is optimistic that the above agreements will broaden the income source of the Group in the long run, thereby enhancing the Group's overall financial performance.

BUSINESS OBJECTIVES AND IMPLEMENTATION PLAN

An analysis comparing the business strategies set out in the Prospectus of the Company dated 31 December 2019 with the Group's actual implementation progress up to 31 December 2021 is as follows:

Business Strategies	**Planned use of proceeds** *(HK$'M)*	**Actual use of proceeds** *(HK$'M)*	**Unutilised amount as at 31 December 2021** *(HK$'M)*	**Expected timeframe for the utilisation of the remaining balance**
1. Increase the production capacity and efficiency				
– acquisition of a parcel of land in Changzhou City	20.9	20.9	–	N/A
– construction of infrastructure including two new factory buildings for production and storage	21.9	4.3	17.6	Due to the impact of the COVID-19 pandemic, there have been delays in the approval process undertaken by the government. However, in order to catch up with the time lost due to the aforesaid delays, the Group entered into a land acquisition agreement on 4 March 2022, pursuant to which the Group agreed to acquire the land use right of a parcel of land covering an area of 35.67 mu (the "**Acquisition**") at Yangyin Road East, North Side of National Highway 312, Henglin Town, Wujin District, Changzhou City, Jiangsu Province, the PRC (the "**Land**"), which is expected to be completed on or before 4 June 2022. Construction of the factory building and the related infrastructure will commence shortly after the Acquisition and is expected to be completed by the end of December 2022. In addition, the Company continues to discuss and negotiate for further acquisition of the land use right of the remaining portion of the Land and will strive to obtain the related land use right by the end of March 2023, after which construction of the factory building and the related infrastructure thereon will commence shortly. It is anticipated that construction of the factory building and the related infrastructure for the remaining portion of the Land will be completed by the end of December 2023.

Business Strategies	Planned use of proceeds *(HK$'M)*	Actual use of proceeds *(HK$'M)*	Unutilised amount as at 31 December 2021 *(HK$'M)*	Expected timeframe for the utilisation of the remaining balance
– installation of five additional production lines	26.9	20.9	6.0	The balance is expected to be utilised by the end of March 2024.
– installation of environmental friendly and energy-saving facilities and equipment	2.2	–	2.2	Installation for the initial batch of environmental-friendly and energy-saving facilities and equipment has been planned to be completed by the end of March 2023 and the remaining portion of environmental-friendly and energy-saving facilities and equipment is expected to be installed by the end of March 2024.
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.1	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.0	–	N/A
4. Enhancement and optimization of the information technology system	2.3	–	2.3	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 2021 is anticipated to be utilised by the end of March 2024.
5. Working capital and general corporate purposes	1.5	1.5	–	N/A
Total	85.8	57.7	28.1	

SALES ANALYSIS

The Group recorded a consolidated revenue of approximately RMB274.9 million for the year ended 31 December 2021, representing an increase of approximately RMB92.7 million or 50.9% as compared to that of approximately RMB182.2 million for the year ended 31 December 2020. The increase in revenue was primarily driven by the increase in revenue generated from the sales of steel access flooring products.

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Steel access flooring products	**233,839**	**85.1**	146,973	80.7
Calcium sulfate access flooring products	**41,081**	**14.9**	35,205	19.3
Total	**274,920**	**100.0**	182,178	100.0

For the year ended 31 December 2021, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 85.1% of the total revenue. Revenue derived from sales of steel access flooring products increased by 59.1% from approximately RMB147.0 million for the year ended 31 December 2020 to approximately RMB233.8 million for the year ended 31 December 2021. This substantial increase was driven by the relaxation of the control measures to combat the spread of the COVID-19 pandemic, which has led to the increase in the momentum of the economic activities in the domestic market of the PRC.

Revenue derived from sales of calcium sulfate access flooring products increased by 16.7% from approximately RMB35.2 million for the year ended 31 December 2020 to approximately RMB41.1 million for the year ended 31 December 2021. This was mainly attributable to the increase in the average unit selling price resulting from the variations in the composition of higher priced calcium sulfate access flooring products sold.

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

	For the year ended 31 December			
	Sales volume	**Average unit selling price**	Sales volume	Average unit selling price
	million m²	***RMB/m²***	*million m²*	*RMB/m²*
Steel access flooring products	**1.65**	**141.7**	1.18	124.6
Calcium sulfate access flooring products	**0.21**	**195.6**	0.21	167.6
Total	**1.86**		1.39	

Fluctuations in the sales volume of the Group's access flooring products were mainly due to different product mix in demand by the customers, which is mainly subject to the market demand and the needs of the relevant customers.

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

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
PRC	**232,999**	**84.8**	157,011	86.2
Hong Kong	**19,418**	**7.0**	1,653	0.9
Other country and regions	**22,503**	**8.2**	23,514	12.9
Total	**274,920**	**100.0**	182,178	100.0

For both of the years ended 31 December 2021 and 2020, the Group's products were mainly sold in the PRC, Hong Kong and to a lesser extent exported to overseas markets such as Thailand, Malaysia, Taiwan and Singapore, etc.

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

	For the year ended 31 December			
	2021		2020	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	*RMB'000*	%
Steel access flooring products	**49,566**	**21.2**	28,814	19.6
Calcium sulfate access flooring products	**12,897**	**31.4**	8,942	25.4
Total	**62,463**	**22.7**	37,756	20.7

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 2021 and 2020. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The increase in gross profit margin of steel access flooring products for the year ended 31 December 2021 compared to that of the year ended 31 December 2020 by about 1.6 percentage points was attributable to the increase in average unit selling price. On the other hand, the increase in gross profit margin of calcium-sulfate access flooring products for the year ended 31 December 2021 compared to that of the year ended 31 December 2020 by about 6.0 percentage points was mainly due to the fact that the percentage increase of average unit selling price outweighed the percentage increase in the average unit cost of raw materials.

OPERATING COSTS AND EXPENSES

Selling and distribution expenses increased by approximately RMB3.1 million, representing a 55.8% increase to approximately RMB8.7 million for the year ended 31 December 2021 from approximately RMB5.6 million for the year ended 31 December 2020. The increase was mainly attributed to the increase in both travelling expense and service fee.

Administrative expenses increased by approximately RMB2.0 million, representing a 8.8% increase to approximately RMB24.5 million for the year ended 31 December 2021 from approximately RMB22.5 million for the year ended 31 December 2020. The increase was mainly attributed to the increase in research and development costs.

Finance costs decreased by approximately RMB1.4 million to approximately RMB3.7 million for the year ended 31 December 2021 from approximately RMB5.1 million for the year ended 31 December 2020. The decrease was mainly due to the reduction in interest rate during the year ended 31 December 2021.

OPERATING RESULTS

Profit before taxation increased dramatically from approximately RMB1.8 million for the year ended 31 December 2020 to approximately RMB28.0 million for the year ended 31 December 2021, which was mainly attributable to: (i) the surge in revenue of approximately 50.9% as compared to that of approximately RMB182.2 million for the year ended 31 December 2020, and (ii) the substantial reduction in the impairment of contract assets and trade receivables by approximately 93.9% as compared to that of approximately RMB15.5 million provided for the year ended 31 December 2020.

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 Hong Kong Financial Reporting Standard 9, which permits the use of lifetime expected loss provision for contract assets, trade and bills receivables. To measure the lifetime ECLs on contract assets, trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, current conditions at the reporting period end, as adjusted for forward looking information, such as expected economic conditions like the forecast of 2022 Gross Domestic Products ("**GDP**") in the PRC and subsequent settlements received from the customers after 31 December 2021.

Statistical regression model has been adopted to project the estimated lifetime ECL rates on each ageing band of contract assets, trade and bills receivables as at 31 December 2020, 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, 2015, 2016, 2017, 2018 , 2019, 2020 and 2021 and the respective annual PRC GDP growth rates following each of these reporting period ends.

The expected ECL rates on contract assets and trade 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 31 December 2021.

During the period after 31 December 2021 and up to 9 March 2022, the subsequent settlements received from the customers are analyzed as follows:

	At 31 December 2021	Subsequent settlements received up to 9 March 2022	
	RMB'000	*RMB'000*	%
Contract assets	82,755	15,246	18.42
Trade and bills receivables			
Not yet due or current	85,883	55,440	64.55
Past due:			
– Within 1 month	15,768	7,739	49.08
– 1–3 months	8,272	5,496	66.44
– 3–6 months	17,973	8,706	48.44
– 6–9 months	6,022	1,733	28.78
– 9–12 months	8,643	5,498	63.62
– 1–2 years	17,433	1,665	9.55
– Over 2 years	8,288	563	6.79
Subtotal – Trade and bills receivable	168,282	86,840	51.60
Total	251,037	102,086	40.67

Management of the Group has been closely monitoring the status of accounts owing by its customers during and after the year ended 31 December 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 furthermore, 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, trade and bills receivables at 31 December 2021, 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, after considering the status of subsequent settlements received from the customers subsequent to 31 December 2021:

	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 *(Note(a))*	Intercept for the linear between the following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end *(Note(b))* A %	Coefficient factor between following year's GDP growth rate and actual bad debt loss rates at each reporting period end *(Note(b))* B	Forward looking factors: change in 2022 GDP growth rate affected by Omicron and Russia's military operations of Ukraine %	Estimated ECL rate at 31 December 2021, based on the regression model C=A+B*2022 GDP rate (=4.34%) *(Note (c))* C %	Applied ECL rate at 31 December 2021 after considering subsequent settlements received from customers %
Contract assets	0.99	11.29	-1.5842	1.84	4.42	4..42
Trade and bills receivables						
Not yet due or current	0.88	5.60	-0.6335	0.73	2.85	2.85
Past due:						
Within 1 month	0.76	11.05	-1.1546	1.34	6.04	6.04
1–3 months	0.84	31.48	-3.7780	4.38	15.08	15.08
3–6 months	0.74	15.79	-1.6900	1.96	8.46	16.96 *(Note (d))*
6–9 months	0.43	10.76	-0.8902	1.03	6.90	17.11 *(Note (d))*
9–12 months	0.78	17.67	-1.7747	2.06	9.97	19.59 *(Note (d))*
1–2 years	0.37	31.44	-2.3249	2.69	21.34	51.33 *(Note (d))*
Over 2 years	0.69	71.55	-5.9736	6.92	45.62	86.22 *(Note (d))*
Overall – Trade and bills receivables	0.68	12.34	-0.83247	1.12	8.88	15.76 *(Note (d))*

Notes:

(a) 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.

(b) Intercept = (Σy)(Σx2) – (Σx)(Σxy)/n(Σx2) – (Σx)2 and Coefficient factor = n(Σxy) – (Σx)(Σy)/n(Σx2) – (Σx)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.

(c) The initial official target GDP growth rate for 2022 was 5.5% as announced by PRC government in early 2022. Based on the available public information, it is estimated that the GDP growth rate for 2022 in the PRC would be around 4.34%, after considering the possible impacts arising from the increase in positive cases of the Omicron variant of the COVID-19 pandemic in the PRC and spillover effects of Russia's military operations of Ukraine on the PRC economy, with reference to credit analysts.

(d) 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 2021, from the customers falling into each of these respective ageing bands of trade and bills receivables.

An analysis of ECL against contract assets and trade and bills receivables at 31 December 2021 is set out below:

	At 31 December 2021			Subsequent settlements up to 9 March 2022	ECL rate on gross amount
	Gross amount	**ECL provision**	**Net carrying amount**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Contract assets	82,755	3,655	79,100	15,246	4.42
Trade and bills receivables					
Not yet due or current	85,883	2,449	83,434	55,440	2.85
Past due:					
Within 1 month	15,768	953	14,815	7,739	6.04
1–3 months	8,272	1,248	7,024	5,496	15.08
3–6 months	17,973	3,048	14,925	8,706	16.96
6–9 months	6,022	1,030	4,992	1,733	17.11
9–12 months	8,643	1,693	6,950	5,498	19.59
1–2 years	17,433	8,948	8,485	1,665	51.33
Over 2 years	8,288	7,146	1,142	563	86.22
Subtotal – Trade and bills receivables	168,282	26,515	141,767	86,840	15.76
Total	251,037	30,170	220,866	102,086	

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 2021, the Group held total assets of approximately RMB428.1 million (31 December 2020: approximately RMB395.8 million), including cash and cash equivalents of approximately RMB55.3 million (31 December 2020: approximately RMB52.6 million). The Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars and United States dollars.

As at 31 December 2021, the Group had total liabilities of approximately RMB131.7 million (31 December 2020: approximately RMB124.1 million) which mainly comprised of bank borrowings amounting to RMB81.0 million (31 December 2020: approximately RMB 71.0 million). The Group's bank borrowings were denominated in RMB and bore interest at the rates ranging from 3.8% to 4.8% (31 December 2020: 4.50% to 4.80%).

As at 31 December 2021, 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 7.8% (31 December 2020: 5.7%). This significant increase was mainly resulted from the increase in bank borrowings for the year ended 31 December 2021.

As at 31 December 2021, the Group had untilised bank facilities of approximately RMB9.0 million (31 December 2020: approximately RMB9.0 million).

The gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 27.4% and 26.8% as at 31 December 2021 and 31 December 2020 respectively.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities (31 December 2020: Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments contracted but not provided for as at 31 December 2021 (31 December 2020: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the year ended 31 December 2021. 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 2021, the Group had the following charges on its assets:

(a) Bank borrowings amounting to approximately RMB41.0 million (31 December 2020: approximately RMB41.0 million) were secured by the following assets:

  (i) land use rights with a carrying value of approximately RMB7.9 million as at 31 December 2021 (31 December 2020: approximately RMB8.0 million);

  (ii) leasehold buildings with a carrying value of approximately RMB7.4 million as at 31 December 2021 (31 December 2020: approximately RMB8.0 million).

(b) Restricted bank deposit of approximately RMB2.8 million (31 December 2020: approximately RMB4.6 million) was pledged as security for issuing letters of guarantee to customers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 183 employees (31 December 2020: 184). The total staff costs including directors' remuneration for the year were approximately RMB14.6 million (2020: approximately RMB13.8 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual 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 2021.

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 2021.

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 2021 and 18 March 2022.

As disclosed in the Prospectus, on 20 December 2018, JiaChen Floor Changzhou Co., Ltd, an indirect non-wholly owned subsidiary of the Group, 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. It is expected that the transfer of the land use right for the remaining portion of the Land will be completed by the end of March 2023.

Save as disclosed above and elsewhere in this announcement, during the year ended 31 December 2021, the Group did not have other plans for material investments or capital assets.

CAPITAL EXPENDITURE

For the year ended 31 December 2021, the Group spent approximately RMB3.9 million (2020 approximately RMB6.4 million) on capital expenditure, which was primarily related to the construction in progress and acquisition of plant and machinery.

PROSPECTS

The National Bureau of Statistic of the PRC recently announced that China's GDP grew by 8.1 per cent in 2021 as industrial production rose steadily throughout the year despite a drop off in retail sales. This seems to indicate that the PRC's economy, being the world's second largest economic entity, has rebounded from the COVID-19 pandemic. However, GDP growth in the fourth quarter of 2021 slowed down to 4 per cent year on year whereas 4.9 per cent was recorded in the previous three months, which seems to indicate the PRC economy is slowing down. In addition, a continued downturn in the property sector and sporadic Covid-19 outbreaks in the PRC, and the potential turbulences triggered by the United States policy on the PRC would surely impact the PRC's economy adversely.

Although year 2022 continues to be challenging, economic recovery from the COVID-19 pandemic is progressing at a slow pace. While the policy of "Living with the Virus" has been adopted by many countries, the resulting economic benefits are yet to be seen. The current new waves of Omicron variant affecting various countries may have again destabilized the world economy which is believed to be on the right track of recovery. While some countries are showing signs of recovery, others are still experiencing spikes of the COVID-19 pandemic. However, the Board is generally optimistic about the medium and long-term prospect of the access flooring industry and the Group's business operations. The Group will continue to focus its resources to enhance product recognition by improving production technology and upgrading the production lines in order to maintain effective cost control and strengthen its competitiveness.

In line with the Group's policy for diversification of income stream and optimization of business risks, the Company announced on 20 October 2021 that it established two wholly-owned subsidiaries for the principal purpose of sales of fully degradable recycled environmental products（the "**New Business**"）in response to the national strategic objectives of "carbon emissions peak" and "carbon neutrality". In order to capture the anticipated strong demand for the fully degradable recycled environmental products, the Group plans to utilise its strong existing sales and marketing teams, which are responsive to new technologies and products, to develop the New Business with the existing customers base and establish new customers base for the New Business. The Group also plans to utilise the existing sales team to penetrate the market districts by using the local human resources to develop the New Business.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Please refer to the paragraph headed "Future Plans or Material Investments or Capital Assets" about the information on the land acquisition agreement entered into on 4 March 2022.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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 2021, 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**") save for the following:

On 6 September 2021, Ms. Shi Dongyin resigned as an independent non-executive director ("**INED**"), chairperson of the nomination committee, member of the audit committee and the remuneration committee. As a result of her resignation, the number of INEDs is less than three which is below the minimum requirement prescribed under Rules 3.10(1) and 3.10A of the Listing Rules. Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and must comprise a minimum of three members. As such, the number of members of the audit committee was below the minimum requirement under Rule 3.21 of the Listing Rules. Pursuant to Rule 3.25 of the Listing Rules, every listed issuer must establish a remuneration committee chaired by an INED and comprising a majority of INEDs. As such, there was only one INED and one executive Director in the remuneration committee.

On 7 September 2021, Mr. Ma Ving Lung resigned as the INED, the chairperson of the audit committee and member of the nomination committee. On 8 September 2021, Mr. Yu Chun Kau also resigned as the INED, chairman of the remuneration committee and member of the audit committee. As a result of their resignations, the number of INEDs failed to meet the minimum requirement under Rules 3.10(1) and 3.10A of the Listing Rules, the composition of the audit committee under Rule 3.21 of the Listing Rules and the composition of the remuneration committee under Rule 3.25 of the Listing Rules.

The Company subsequently appointed Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei as INEDs on 9 September 2021, 8 November 2021 and 15 November 2021, respectively and members of the board committee to fulfill the requirements under the Listing Rules. As at the date of this announcement, the Company complies with the relevant requirements under Rules 3.10(1), 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the relevant provisions of the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. Xie Xing, as the chairman, Mr. Wang Li and Ms. Long Mei as the members. The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed as at the date of this announcement due to the recent widespread of the Omicron variant of the COVID-19 pandemic and the related precautionary measures and prevention policies adopted by the PRC and Hong Kong governments. The unaudited 2021 Financial Results contained herein, therefore, have not been agreed with the Company's auditor. The Board wishes to emphasize that the 2021 Financial Results set out in this announcement is extracted directly from the latest unaudited management accounts of the Group for the year ended 31 December 2021 and is subject to changes resulting from, among other things, any potential adjustments that might be proposed by the Company's auditor upon completion of their audit. An announcement relating to the audited 2021 Financial Results will be published when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The unaudited 2021 Financial Results contained herein have been reviewed by the Audit Committee and the Board.

PUBLICATION OF THE AUDITED 2021 FINANCIAL RESULTS

Publication of the audited 2021 Financial Results has been delayed due to the recent widespread of the Omicron variant of the COVID-19 pandemic which caused a disruption in the auditing process. While the completion of the auditing process depends on the travel restrictions and quarantine arrangements currently in force, it is therefore difficult to estimate a completion date for the auditing process with reasonable preciseness. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and the PRC, and hopefully, expects to publish the audited 2021 Financial Results by the end of April 2022 in accordance with further guidance on the joint statement issued by the Stock Exchange and the Securities and Futures Commission dated 16 March 2020.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 will be published on the respective websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

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

Changzhou, the People's Republic of China, 28 March 2022

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.