JiaChen Holding Group Limited
佳辰控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1937

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Shen Min *(Chairman)*
Mr. Chen Shiping *(Chief Executive Officer)*
Mr. Shen Minghui
Ms. Liu Hui

Independent Non-executive Directors

Mr. Xie Xing (appointed on 9 September 2021)
Mr. Wang Li (appointed on 8 November 2021)
Ms. Long Mei (appointed on 15 November 2021)
Ms. Shi Dongying (resigned on 6 September 2021)
Mr. Ma Ving Lung (resigned on 7 September 2021)
Mr. Yu Chun Kau (resigned on 8 September 2021)

Audit Committee

Mr. Xie Xing *(Chairman)* (appointed on 9 September 2021)
Mr. Wang Li (appointed on 8 November 2021)
Ms. Long Mei (appointed on 15 November 2021)
Mr. Ma Ving Lung (resigned on 7 September 2021)
Ms. Shi Dongying (resigned on 6 September 2021)
Mr. Yu Chun Kau (resigned on 8 September 2021)

Remuneration Committee

Ms. Long Mei *(Chairlady)* (appointed on 15 November 2021)
Mr. Wang Li (appointed on 8 November 2021)
Mr. Chen Shiping (appointed on 15 November 2021)
Mr. Yu Chun Kau (resigned on 8 September 2021)
Ms. Shi Dongying (resigned on 6 September 2021)
Mr. Shen Min (ceased on 15 November 2021)
Mr. Xie Xing (appointed on 9 September 2021 and ceased on 15 November 2021)
Mr. Shen Minghui (appointed on 9 September 2021 and ceased on 8 November 2021)

Nomination Committee

Mr. Wang Li *(Chairman)* (appointed as member on 8 November 2021 and re-designated as Chairman on 15 November 2021)
Mr. Shen Min (appointed on 9 September 2021, ceased on 8 November 2021 and re-appointed 15 November 2021)
Mr. Xie Xing (appointed as Chairman on 9 September 2021 and re-designated as member on 15 November 2021)
Ms. Shi Dongying (resigned on 6 September 2021)
Mr. Ma Ving Lung (resigned on 7 September 2021)
Mr. Chen Shiping (ceased on 15 November 2021)

Authorised Representatives

Mr. Shen Minghui
Mr. Li Wen Tao

Company Secretary

Mr. Li Wen Tao

Company Website

www.jiachencn.com.cn

Stock Code

1937

Principal Bankers

Agricultural Bank of China
Sub-Branch, Changzhou Economic Development Zone
157–159 Yanlingdong Road
Changzhou City
Jiangsu Province
China

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Hong Kong

Auditor

Crowe (HK) CPA Limited
Certified Public Accountant
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

Registered Office in the Cayman Islands

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

No.18 Changhong East Road
Henglin Town
Wejin District
Chengzhou Jiangsu
China

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

22/F, 3 Lockhart Road
Wanchai, Hong Kong

Share Registrar and Transfer Office

Cayman Islands Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Dakin Capital Limited
Suite 3509, 35/F
Tower 2, Lippo Centre
89 Queensway
Hong Kong

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the JiaChen Holding Group Limited (the "**Company**"), it is my pleasure to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 to the shareholders of the Company (the "**Shareholders**").

Listing

On 17 January 2020, the shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which marked a significant milestone for the development of the Group. Out of the net proceeds amounting to approximately HK$85.8 million raised from the issuance of 250,000,000 Shares to the public in Hong Kong, and under placing arrangement with selected professional, institutional and other investors (the "**Global Offering**"), approximately HK$57.7 million has been utilised up to 31 December 2021 in accordance with the business strategies and implementation plan (the "**Strategies and Implementation Plan**") as stated in the prospectus of the Company dated 31 December 2019. The remaining balance of the net proceeds as at 31 December 2021 amounting to approximately HK$28.1 million is expected to be utilised in accordance with the Strategies and Implementation Plan by March 2024.

Results

Despite the disruptions caused by the coronavirus disease ("**COVID-19**") in the year 2021, the total revenue of the Group for the year ended 31 December 2021 increased by approximately 50.9% to RMB274.9 million as compared with that of approximately RMB182.2 million for the year ended 31 December 2020. Such increase was resulted from 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 People's Republic of China (the "**PRC**"). This substantial increase in the total revenue of the Group has led to the increase in the net profit of the Group from approximately RMB0.8 million for the year ended 31 December 2020 to approximately RMB24.7 million for the year ended 31 December 2021.

Prospects

The National Bureau of Statistic of the PRC recently announced that China's gross domestic product ("**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 the 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 products 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 line 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.

Acknowledgement

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

Shen Min
Chairman

20 April 2022

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

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).

* *For identification purposes only*

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$'million)*	Actual use of proceeds *(HK$'million)*	Unutilised amount as at 31 December 2021 *(HK$'million)*	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.
– 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.

Business Strategies	Planned use of proceeds (HK$'million)	Actual use of proceeds (HK$'million)	Unutilised amount as at 31 December 2021 (HK$'million)	Expected timeframe for the utilisation of the remaining balance
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			
	2021		2020	
	Sales volume *million m^2*	**Average unit selling price** *RMB/m^2*	Sales volume *million m^2*	Average unit selling price *RMB/m^2*
Steel access flooring products	**1.65**	**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, China	**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, China 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 the average interest rates and average bank borrowings 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 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 and additional individual assessment if the relevant customers are defaulted in settlement.

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 *RMB'000*	Subsequent settlements received up to 9 March 2022 *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 and additional individual assessment if the relevant customers are defaulted in settlement:

	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 = (∑y)(∑x2) – (∑x)(∑xy)/n(∑x2) – (∑x)2 and Coefficient factor = n(∑xy) – (∑x)(∑y)/n(∑x2) – (∑x)2, where y is the ECL rate for contract assets and trade and bills receivables falling into each of the ageing bands at the reporting period end and x is the following year's PRC GDP growth rate.

(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' expectations.

On 19 April 2022, International Monetary Fund issued its revised forecast for 2022 PRC GDP growth rate at 4.4% which is close to the management's estimation.

(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, and additional individual assessment on the payment history and patterns of these customers falling into each of these respective ageing bands of trade and bills receivables.

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

	At 31 December 2021				
	Gross amount	ECL provision	Net carrying amount	Subsequent settlements up to 9 March 2022	ECL rate on gross amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Contract assets	82,755	3,656	79,099	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	1,247	7,025	5,496	15.08
3–6 months	17,973	3,047	14,926	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	8,949	8,484	1,665	51.33
Over 2 years	8,288	7,146	1,142	563	86.22
Subtotal – Trade and bills receivables	168,282	26,514	141,768	86,840	15.76
Total	251,037	30,170	220,866	102,086	

Capital Structure

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

Liquidity and Financial Resources

As at 31 December 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 3.80% to 4.80% (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 material contingent liabilities (31 December 2020: Nil).

Capital Commitments

Apart from those disclosed in Note 34(b) to the consolidated financial statements, the Group had no other 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 report, 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 RMB5.9 million (2020 approximately RMB6.4 million) on capital expenditure, which was primarily related to the construction in progress and acquisition of plant and machinery.

Cash Flows

The Group reported net cash outflow from operating activities of approximately RMB15.0 million for the year ended 31 December 2021 as compared to the net cash inflow of approximately RMB39.8 million for the year ended 31 December 2020. The swing to cash outflow from cash inflow was mainly attributable to the cash outflow of approximately RMB50.4 million from working capital during the year ended 31 December 2021.

Net cash inflow from investing activities was approximately RMB11.8 million (2020: net cash outflow of approximately RMB61.8 million) for the year ended 31 December 2021. The swing to cash inflow from cash outflow was largely due to the refund of long-term deposits amounting to approximately RMB16.9 million during the year ended 31 December 2021.

Net cash inflow amounted to approximately RMB5.9 million from financing activities for the year ended 31 December 2021 compared to that of approximately RMB58.2 million for the year ended 31 December 2020. This was mainly due to the receipt of the net proceeds from issuance of new shares under the Global Offering amounting to approximately RMB117.3 million during the year ended 31 December 2020.

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.

Executive Directors

Mr. Shen Min (沈敏) ("**Mr. Shen**"), whose former name was Shen Xiaodu (沈筱度), aged 63, is the founder of the Group, the chairman of the Board and an executive Director. He joined the Group since April 1991. He is a director of a number of subsidiaries of the Group. Mr. Shen was appointed as our Director on 7 July 2017 and was re-designated as an executive Director and the chairman of the Board on 19 June 2019. He is also a member of the nomination committee. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director and legal representatives of a number of subsidiaries of the Group. Mr. Shen brings to the Group more than 30 years of experience in the access flooring manufacturing industry.

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

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

Mr. Chen Shiping (陳仕平) ("**Mr. Chen**"), aged 60, joined the Group in September 2009 and is currently the chief executive officer, an executive Director and the general manager of the Group. He was appointed as an executive Director on 19 June 2019. He is also a member of the remuneration committee. He is responsible for the overall daily management and operation of the Group. Mr. Chen has over 21 years of experience in access flooring manufacturing industry. Mr. Chen was the head of manufacturing plant of 常州三井高田汽配廠 (Changzhou San Jing Gao Tian Automobile Parts Factory*) from August 1984 to September 1999. He then joined 無錫英特地板公司 (Wuxi Ying Te Flooring Co., Ltd.*) as a deputy general manager from October 1999 to August 2009. Mr. Chen studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2005 to July 2009 and obtained a graduation diploma in July 2009.

Mr. Shen Minghui (沈明暉) ("**Mr. Shen MH**"), aged 37, is an executive Director. Mr. Shen MH joined our Group since May 2003. He was appointed as a Director on 7 July 2017 and was redesignated as an executive Director on 19 June 2019. He is responsible for overseeing the general matters of the Group. He has been the deputy general manager of JiaChen Floor since September 2009. He is the supervisor of 常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) and 常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*), indirect wholly-owned subsidiaries of the Group and a director of a number of subsidiaries of Group. Mr. Shen MH was a deputy general manager of Jiachen Machinery Plant from May 2003 to August 2009 and was responsible for supervising the manufacturing and production of the products. Mr. Shen MH attended 西南大學 (Xinan University*) to study marketing from March 2013 to July 2015 and obtained a graduation diploma in July 2015.

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

* *For identification purposes only*

Ms. Liu Hui (劉會) ("**Ms. Liu**"), aged 37, joined the Group as a procurement manager of JiaChen Floor from September 2009 to February 2020. She was appointed as the deputy general manager of JiaChen Floor in March 2020 and promoted as an executive Director with effect from 2 July 2020. Ms. Liu is responsible for overseeing the management, procurement and oversea sales of the Group. She studied e-commerce in 常州市職工大學 (Changzhou Occupational University*) from September 2002 to July 2005 and obtained a graduation diploma in July 2005.

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

Independent Non-executive Directors

Mr. Xie Xing (謝星) ("**Mr Xie**"), aged 41, joined the Board as an independent non-executive Director in September 2021. He is the chairman of the audit committee and a member of the nomination committee. He has over 14 years of experience in accounting, corporate finance, compliance and auditing. He started his career at KPMG in 2006 and then worked for various companies in different industries in Hong Kong. Mr. Xie is the chief financial officer and company secretary of Hanvey Group Holdings Limited (stock code: 8219), a company listed on GEM of the Stock Exchange since July 2018.

Mr. Xie obtained a Bachelor of Science degree with honour in Applied Physics from the Hong Kong Baptist University in 2003, a Master degree of Philosophy in Physics from The Hong Kong University of Science and Technology in 2005 and a Master degree of Economics from The University of Hong Kong in 2019. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. Wang Li (王立) ("**Mr Wang**"), aged 35, joined the Board as an independent non-executive Director in November 2021. He is the chairman of the nomination committee, a member of the audit committee and the remuneration committee. He is a practising lawyer in the PRC since 2012. He worked in 北京市惠誠（常州）律師事務所 (Beijing Huicheng Law Firm*) from 2009 to 2015. He became a partner of 江蘇品川律師事務所 (Pinchuan Law Firm*) since 2015. He also obtained the qualification to act as independent non-executive director accredited by Shanghai Stock Exchange since 2016.

Mr. Wang obtained a Bachelor of Law degree from Soochow University in 2009. He is a member of 中華全國律師協會 (All China Lawyers Association) since 2012.

Ms. Long Mei (龍梅) ("**Ms Long**"), aged 49, joined the Board as an independent non-executive Director in November 2021. She is the chairman of the remuneration committee and a member of the audit committee. She is a non-practising certified public accountant in the PRC. She is a member of 中國註冊會計師協會 (The Chinese Institute of Certified Public Accountants) since 1995.

Ms. Long obtained a Bachelor of Finance and Accounting degree from 華南農業大學 (South China Agricultural University*) in 2009 and the medium-grade professional title of accountant in 1993. She worked for a large accountancy firm with qualifications in securities and has nearly 30 years of experience in accounting, corporate finance, compliance and auditing.

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

* *For identification purposes only*

Senior Management

Mr. Li Wen Tao (李文韜) ("**Mr. Li**"), aged 39, joined the Group in June 2019 as the company secretary. Mr. Li is an associate of Institute of the Chartered Accountants in England and Wales since February 2013 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since May 2011. He was further admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in July 2018.

Mr. Li obtained his Bachelor of Business Administration (Major in Accountancy) from Hong Kong Lingnan University in November 2004. He established NOVA, CPA & Company in 2013 and accumulated extensive experience in auditing, accounting, financial management and corporate governance over a period of 17 years. He is currently the chief financial officer of Modern Chinese Medicine Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1643).

Ms. Zhang Yaying (章亞英) ("**Ms. Zhang**"), aged 58, has been the deputy general manager of Jiachen Floor since September 2009 and is responsible for overseeing the raw material purchasing. She was also the deputy general manager of Jiachen Machinery Plant since September 1991 and was responsible for raw material purchasing until December 2016. Ms. Zhang was appointed as a Director on 7 July 2017 and was re-designated as an executive Director on 19 June 2019. She subsequently resigned as an executive Director with effect from 2 July 2020 due to her desire to focus on the daily operations of the Group.

Ms. Zhang brings to the Group more than 29 years of experience in the access flooring manufacturing industry. Ms. Zhang studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2008 to July 2012 and obtained a graduation diploma in July 2012.

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

Ms. Zhang Lingyan (章玲燕), aged 42, has been the office manager of general office of JiaChen Floor since September 2009 and is responsible for general administration matters. She is also the supervisor of JiaChen Floor since December 2017. Prior to that, she was the assistant treasurer of Jiachen Machinery Plant from February 1999 to August 2009 where she was responsible for financial matters.

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

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

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

* *For identification purposes only*

About This Report

The objective of this Environmental, Social and Governance ("**ESG**") report (the "**Report**") is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

Reporting Standard

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited ("**HKEX**"). An assessment on the applicability and materiality of the relevant key performance indicators ("**KPIs**") under the ESG Reporting Guide had been conducted.

Reporting Principles

The following principles are adopted in the Report:

- Materiality: Important and relevant information to stakeholders on different ESG aspects is covered in the Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information is disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

Governance on ESG Aspects

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management has delegated the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

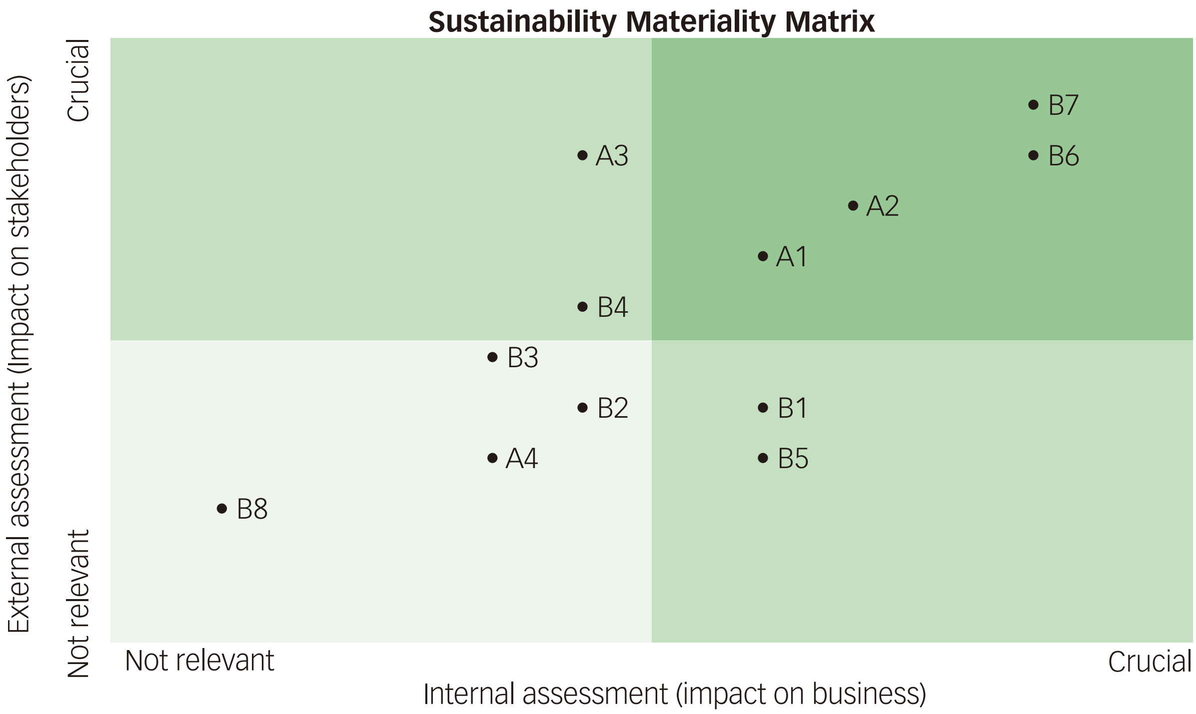
Stakeholder Engagement

We value our stakeholders and their feedback in regards to our businesses and ESG aspects. With the goal to strengthen the sustainability approach and performance of the Group, we put the effort into maintaining close communication with our key stakeholders, including but not limited to government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilizing diversified engagement methods and communication channels, shown as below.

Stakeholders	Communication channels
Government/regulatory organizations	• Announcement and other regulatory reports
Shareholders and investors	• Information disclosed on the HKEX website and corporate website • Annual general meetings and other shareholders' meetings
Employees	• Employee performance evaluation • On-the-job training • Internal e-mail
Customer	• Corporate website • Customer service hotline
Community	• Industry events • Corporate social responsibility activities

Materiality Assessment

During the reporting period, the Group has evaluated a number of environmental, social and operating items and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction satisfy the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are listed in the following materiality matrix:



A1: Environmental
A2: Use of resources
A3: The environment and natural resources
A4: Climate change

B1: Employment
B2: Health and safety
B3: Development and training
B4: Labour standards
B5: Supply chain management
B6: Product responsibility
B7: Anti-corruption
B8: Community investment

Environmental

Emissions

Air Emissions and Greenhouse Gas ("GHG") Emissions

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

The main source of the Group's greenhouse gas emissions is derived from direct emission from the mobile combustion sources ("**Scope 1**") and indirect emission from acquired electricity ("**Scope 2**").

Type of emission	Unit	Emission 2021	2020
Air emissions			
Nitrogen oxides	kg	**40.0**	26.2
Sulphur oxides	kg	**0.8**	0.1
Respiratory suspended particles	kg	**2.9**	1.9
GHG emissions			
Scope 1	Tonnes of CO_2e	**2,493**	2,365
Scope 2	Tonnes of CO_2e	**1,878**	2,500
Total (Scope 1, 2)	Tonnes of CO_2e	**4,371**	4,865
Emission intensity	Tonnes of CO_2e per m^2 of factory area	**0.15**	0.17

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

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

Solid Waste Management

The Group had conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. During the year ended 31 December 2021, the Group has replaced machineries which produced less hazardous chemical wastes and hence, production of hazardous wastes reduced significantly. For the control of environmental pollution by solid waste pursuant to the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Noise", the Group operates an emission license administration system with the following data:

	Unit	2021	2020
Non-hazardous waste	Tonne	**480**	445
Non-hazardous waste intensity	Tonne per million RMB of revenue	**1.7**	2.4
Hazardous waste	Tonne	**15**	30
Hazardous waste intensity	Tonne per million RMB of revenue	**0.05**	0.2

The Group has constantly kept up-to-date local legislations and standards for environmental protection. During the year ended 31 December 2021, the Group was not aware of any incidents of non-compliance with applicable environmental laws and regulations mentioned above.

Use of Resources

Energy and water consumption

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

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

The consumption data recorded for the year ended 31 December 2021 is as below:

Resources	Unit	Consumption	Consumption intensity (Per million RMB revenue)
Electricity	MWh	3,079	11
Petrol	L	14,170	52
Diesel	L	43,840	159
Natural gas	m^3	800,573	2,912
Water	m^3	9,696	35

Packaging materials

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

Packaging materials	Unit	Consumption	Consumption intensity (Per million RMB revenue)
Paper materials and carton box	kg	82,496	300
Woods	kg	405,458	1,475
Plastic materials	kg	45,584	166
Metals	kg	3,677	13

Environmental and Natural Resources

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

Climate Change

We take a holistic view on the impact, risk and associated potentials associated with climate change and sustainability. In our industry, we regard ourselves as a participant in these issues with due regard to our scale of operation and the degree of participation in the product design, usage and maintenance. Our raw materials are mainly related to the products of mining, metal refinery and milling, which are conventionally regarded as key stakeholders in sustainability. Therefore, due diligence in terms of adhering to the ideals and principles of sustainability has been embedded in our sourcing process. Through constant communications, regular negotiations and reviews, our teams strive to meet the objectives set forth by our Board. Our products are required to meet the stringent and demanding standards and specifications. These requirements were subject to both national and internal dimensions, such as the local safety regulations and international standards such as ISO. Abide these limitations, we believe our effort has a positive influence on the overall management of climate risks.

Employment and labour practices

Employment

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

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

Anti-discrimination and Equal Opportunity

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, gender, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group encourages labour diversity and welcomes all manpower, thus putting the principle of fairness into practices.

	No. of staff
Total number of employees	183
Gender	
Male	129
Female	54
Age Group	
18–30	14
31–40	48
41–50	64
51 or above	57
Category	
Senior management	10
Middle management	7
General staff	166
Full time	175
Part-time	8
Region	
PRC	179
Hong Kong, China	4

For the year ended 31 December 2021, there was a total of 183 (2020: 184) employees. The Group will continue to explore ways to improve employee turnover, enhance employee benefits and strengthen communication with employees. The male/female composition ratio of the Group is approximately 2.4:1. The difference in the composition can be explained by the difference in job nature. In addition, the Group welcomes any age range of people to join the Group as long as they are keen to learn and participate.

For the year ended 31 December 2021, the staff turnover rate is approximately 29%, which is categorised by gender and age group as follows:

Gender			
Male		**Female**	
28%		32%	
Age Group			
18–30	**31–40**	**41–50**	**51 or above**
48%	42%	37%	12%

During the year ended 31 December 2021, the Group was not aware of any major non-compliance with labour law and regulations, including but not limited to the following:

- Labour Law of the People's Republic of China
- Labour Contract Law of People's Republic of China
- Employment Ordinance of the HKSAR
- Minimum Wage Ordinance
- Mandatory Provident Fund Scheme Ordinance

Health and Safety

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

The Group aims to ensure a safe occupational environment and manage health and safety risk at the production facilities. Warning signs are posted at prominent positions with potential health impacts, handling procedures and preventive measures. Personal protective equipment such as safety gloves, masks and safety goggles are provided and required at work. Evaluation of safety practices is conducted on a regular basis. During the year ended 31 December 2021, the Group was not aware of any non-compliance with laws and regulations relating to health and safety issues.

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

Occupational health and safety statistics	2021	2020	2019
Number of lost days due to work injury	**Nil**	74	87
Number of work-related fatalities	**Nil**	Nil	Nil
Number of work injuries	**Nil**	5	3

Development and Training

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

The training details of the staff for the year ended 31 December 2021 is stated as follows:

	No. of staff attended training	Percentage of staff attended training	Average training hours completed
By Gender			
Male	105	81%	3
Female	35	65%	2
Categories			
Senior management	10	100%	4
Middle management	5	71%	2
General staff	125	75%	2

Labour Standards

The Group is committed to upholding the labour rights of staff and has established a compliant mechanism for staff to report any labour violations. It is always the group's policy to prohibit employment of staff members under the legal working age of 18. During the year ended 31 December 2021, no labour disputes between the company and its staff have been recorded.

It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law. For the year ended 31 December 2021, there was no labour dispute in the Group.

The Group adhered to the laws and regulations prohibiting child labour and forced labour, which mainly includes the following:

- Employment Ordinance of HKSAR
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Law of the PRC on Protection of Minors
- Provisions on the Prohibition of Using Child Labor of the PRC

Supply Chain Management

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

In order to enhance the sustainability of the supply chains and minimize carbon footprints, the Group manages to source raw materials locally. In 2021, the Group had 86 suppliers, with about 89% and 11% of the suppliers located in Jiangsu province and the provinces and cities nearby, respectively.

Product Responsibility

The policies which the Group has adopted to ensure customer satisfaction and product quality include the ability to exchange defective products, checking the materials before production and returning any defective materials to the suppliers immediately.

Customer satisfaction

The Group obtained the ISO 9001 certification back in 1996. Production site of the Group is certified with ISO 9001:2015 Quality Management System in 2017. To ensure on-going compliance with the requirements listed in ISO 9001, evaluations on the performance are carried out at least once a year. The Group's products are in full compliance with Product Quality Law of the People's Republic of China.

Before dispatching products, we have a final quality inspection. There is also a one-year warranty provided for the customers. For the year ended 31 December 2021, no product was returned due to safety or quality problems nor complaint was received from customers.

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

Privacy protection

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

During the year ended 31 December 2021, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, labelling and privacy matters relating to products, including but not limited to including Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Advertising Law of the People's Republic of China and Trademark Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, etc.

Intellectual properties

Intellectual property protection is a requisite for innovation-driven development. The Group has established intellectual property management mechanisms continuously to strengthen intellectual property protection. During the year ended 31 December 2021, we strictly complied with the laws and regulations related to customer health and safety, advertising, labelling, intellectual property rights and privacy matters in all locations where we operate.

Anti-Corruption

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

Furthermore, the Group is committed to strengthening compliance training. All members of the Board have attended an online webinar held by the Independent Commission Against Corruption of the Hong Kong SAR about topics related to corruption, fraud, conflicts of interest, cross-border bribery, backdoor listings, and insider trading.

During the year ended 31 December 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering, including, but not limited to, the Company Law of the People's Republic of China; the Anti-Unfair Competition Law of the People's Republic of China; that would have a significant impact on the Group.

Community Investment

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

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

During the year ended 31 December 2021, the Group donated RMB20,000 to support the charity organization in the local community of Changzhou Jiangsu province.

Corporate Governance Practices

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

Throughout the financial year ended 31 December 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 report, 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.

Board Of Directors

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

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

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

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Board currently consisted of seven Directors including four executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Shen Min *(Chairman)*
Mr. Chen Shiping *(Chief Executive Officer)*
Mr. Shen Minghui
Ms. Liu Hui

Independent Non-executive Directors

Mr. Xie Xing (appointed on 9 September 2021)
Mr. Wang Li (appointed on 8 November 2021)
Ms. Long Mei (appointed on 15 November 2021)

Two independent non-executive Directors have the appropriate professional accounting qualifications or related financial management experience and expertise.

Each of the Directors has entered into a service contract with the Company for an initial fixed term of three years which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) any Director giving to the Company not less than one month's prior notice in writing. The appointment of Directors is also subject to retirement and re-election in accordance with the articles of associations of the Company. During the year ended 31 December 2021, each of Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei has entered into a service agreement with the Company commencing on 9 September 2021, 8 November 2021 and 15 November 2021 respectively.

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

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

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

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

Board Diversity Policy

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

Nomination Policy

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

Dividend Policy

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

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

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

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

Directors' Induction and Continuous Professional Development

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

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

Pursuant to the code provision A.6.5 of the CG Code, all Directors had participated in the following professional development in the form of materials reading and participation in webcast during the year ended 31 December 2021:

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Mr. Shen Min	✔	✔
Mr. Chen Shiping	✔	✔
Mr. Shen Minghui	✔	✔
Ms. Liu Hui	✔	✔
Independent Non-executive Directors		
Ms. Shi Dongying (resigned on 6 September 2021)	✔	✔
Mr. Ma Ving Lung (resigned on 7 September 2021)	✔	✔
Mr. Yu Chun Kau (resigned on 8 September 2021)	✔	✔
Mr. Xie Xing (appointed on 9 September 2021)	✔	✔
Mr. Wang Li (appointed on 8 November 2021)	✔	✔
Ms. Long Mei (appointed on 15 November 2021)	✔	✔

Board Meetings

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

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. The Company has complied with the code provision A1.1 of the CG Code in the year ended 31 December 2021. Details of the attendance of the Directors for the year ended 31 December 2021 are as follows:

Name of Directors	Attended/eligible to attend
Executive Directors	
Mr. Shen Min	5/5
Mr. Chen Shiping	5/5
Mr. Shen Minghui	5/5
Ms. Liu Hui	5/5
Independent Non-executive Directors	
Mr. Xie Xing (appointed on 9 September 2021)	2/2
Mr. Wang Li (appointed on 8 November 2021)	1/1
Ms. Long Mei (appointed on 15 November 2021)	0/0
Ms. Shi Dongying (resigned on 6 September 2021)	2/2
Mr. Ma Ving Lung (resigned on 7 September 2021)	2/2
Mr. Yu Chun Kau (resigned on 8 September 2021)	2/2

Chairman and Chief Executive Officer

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

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

Audit Committee

The Company established an audit committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The audit committee currently consists of three independent non-executive Directors, namely Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei. The chairman of the audit committee is Mr. Xie Xing, who has appropriate professional qualification and experience in accounting matters.

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

The Group's audited annual results in respect of the year ended 31 December 2021 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditor in respect of the year ended 31 December 2021.

The audit committee held two meetings during the year ended 31 December 2021, at which the audited annual results of the Group for the year ended 31 December 2020, the unaudited interim results of the Group for the six months ended 30 June 2021 and other matters related to the financial and accounting policies and practice were discussed and reviewed. The audit committee also reviewed the internal control review report prepared by the independent professional advisor and put forward relevant recommendations to the Board. In addition, the audit committee fulfilled its responsibilities in corporate governance and in monitoring the effectiveness of the auditing process and the independence of the auditor at the meetings held during the year ended 31 December 2021. Individual attendance of each committee member at the meetings during the year ended 31 December 2021 are as follows:

Name of members	Attended/eligible to attend
Mr. Xie Xing *(Chairman)* (appointed on 9 September 2021)	0/0
Mr. Wang Li (appointed on 8 November 2021)	0/0
Ms. Long Mei (appointed on 15 November 2021)	0/0
Mr. Ma Ving Lung (resigned on 7 September 2021)	2/2
Ms. Shi Dongying (resigned on 6 September 2021)	2/2
Mr. Yu Chun Kau (resigned on 8 September 2021)	2/2

Remuneration Committee

The Company established a remuneration committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The remuneration committee currently consists of three members, namely Mr. Chen Shiping, an executive Director, Mr. Wang Li and Ms. Long Mei, both being independent non-executive Directors. Ms. Long Mei currently serves as the chairlady of the remuneration committee.

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

The members of the remuneration committee should meet at least once a year. During the year from 1 January 2021 to 31 December 2021, the remuneration committee held four meetings, at which the Group's overall remuneration practices and scale and other remuneration-related matters in respect of the Directors and senior management were discussed and reviewed. Individual attendance of each committee member at the meetings during the year ended 31 December 2021 are as follows:

The remuneration committee has adopted the model whereby the remuneration committee makes recommendation to the Board on the remuneration packages of executive Directors and senior management and to make recommendation to the Board on the remuneration of non-executive Directors and INEDs.

Name of members	Attended/eligible to attend
Ms. Long Mei *(Chairlady)* (appointed on 15 November 2021)	0/0
Mr. Wang Li (appointed on 8 November 2021)	1/1
Mr. Chen Shiping (appointed on 15 November 2021)	0/0
Ms. Shi Dongying (resigned on 6 September 2021)	1/1
Mr. Yu Chun Kau (resigned on 8 September 2021)	1/1
Mr. Shen Min (ceased on 15 November 2021)	4/4
Mr. Shen Minghui (appointed on 9 September 2021 and ceased on 8 November 2021)	2/2
Mr. Xie Xing (appointed on 9 September 2021 and ceased on 15 November 2021)	2/2

Remuneration payment made to senior management of the Group for the year ended 31 December 2021 falls within the following bands:

Remuneration Band (RMB)	Number of individuals 2021	2020
Nil to RMB500,000	**3**	3

Nomination Committee

The Company established a nomination committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The nomination committee currently consists of three members, namely Mr. Shen Min, an executive Director, Mr. Xie Xing and Mr. Wang Li, both being independent non-executive Directors. Mr. Wang Li currently serves as the chairman of the nomination committee.

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

The members of the nomination committee should meet at least once a year. During the year ended 31 December 2021, the nomination committee held four meetings, at which the structure, size and composition (including the skills, knowledge and experience) of the Board members were reviewed. It also assessed the independence of the independent non-executive Directors and recommended the re-election of the retired Directors at the annual general meeting of the Company. Individual attendance of each committee member at the meetings during the year ended 31 December 2021 is as follows:

Name of members	Attended/eligible to attend
Mr. Wang Li *(Chairman)* (appointed as member on 8 November 2021 and re-designated as chairman on 15 November 2021)	1/1
Mr. Shen Min (appointed on 9 September 2021, ceased on 8 November 2021 and re-appointed on 15 November 2021)	2/2
Mr. Xie Xing (appointed on as Chairman on 9 September 2021 and re-designated as member on 15 November 2021)	2/2
Ms. Shi Dongying (resigned on 6 September 2021)	1/1
Mr. Ma Ving Lung (resigned on 7 September 2021)	1/1
Mr. Chen Shiping (ceased on 15 November 2021)	4/4

Compliance Adviser

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

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where the use of the net proceeds of the issuance of 250,000,000 shares of the Company differs from that detailed in Prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in the Prospectus; and

(d) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Company's shares under Rule 13.10 of the Listing Rules.

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

Company Secretary

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

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

The Company engages an external service provider to provide compliance and full range of company secretarial services to the Company. The primary contact person of the Company with Mr. Li is Mr. Shen Min, the Chairman of the Board and an executive Director.

Directors' and Auditor's Responsibilities for Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. As at 31 December 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditors' report on pages 56 to 61 of this report.

Auditors' Remuneration

For the year ended 31 December 2021, remuneration paid/payable to auditors for audit services is approximately RMB996,000 (2020: RMB926,000).

Directors' Securities Transactions

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

Risk Management and Internal Control

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

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

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

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

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. Throughout the year ended 31 December 2021, the Group complied with the code provisions on internal control and risk management. In particular, the Group appointed an independent internal control consultant to carry out a review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions for the year ended 31 December 2021. The Directors were satisfied that the internal control systems as appropriate to the Group for the year ended 31 December 2021 were implemented properly and that no significant areas of weaknesses came into attention.

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

Investor Relations

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

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

In accordance with Provision E.1.2 of the CG Code, attendance of members of the Board to the AGM held on 3 June 2021 is as follows:

	Attended/eligible to attend
Executive Directors	
Mr. Shen Min	1/1
Mr. Chen Shiping	1/1
Mr. Shen Minghui	1/1
Ms. Liu Hui	1/1
Independent Non-executive Directors	
Ms. Shi Dongying (resigned on 6 September 2021)	1/1
Mr. Ma Ving Lung (resigned on 7 September 2021)	1/1
Mr. Yu Chun Kau (resigned on 8 September 2021)	1/1
Mr. Xie Xing (appointed on 9 September 2021)	N/A
Mr. Wang Li (appointed on 8 November 2021)	N/A
Ms. Long Mei (appointed on 15 November 2021)	N/A

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

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

Communication with Shareholders

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

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website and the Company's website;

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

Constitutional Documents

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

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

There was no change in the memorandum and articles of association of the Company in the year ended 31 December 2021.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

Corporate Reorganisation

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

The Company completed the corporate reorganisation on 15 March 2018 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group.

Since 17 January 2020 (the "**Listing Date**"), all 1,000,000,000 Shares in issue have been listed on the Main Board of the Stock Exchange.

Principal Activities

The Company is an investment holding company. Its principal subsidiaries are 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. During the year ended 31 December 2021, the Group has established two wholly-owned subsidiaries which are engaged mainly in the technological research and development and sales of new types of environmental- friendly materials that are fully degradable.

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in note 2 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 31(a) to the consolidated financial statements in this annual report.

Distributable Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 65 of this annual report.

The Company's reserves available for distribution to the shareholders as at 31 December 2021 amounted to RMB212,425,000 (2020: RMB218,254,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 155 of this annual report.

Directors

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

Executive Directors
Mr. Shen Min *(Chairman)*
Mr. Chen Shiping *(Chief Executive Officer)*
Mr. Shen Minghui
Ms. Liu Hui

Independent Non-executive Directors
Mr. Xie Xing (appointed on 9 September 2021)
Mr. Wang Li (appointed on 8 November 2021)
Ms. Long Mei (appointed on 15 November 2021)
Ms. Shi Dongying (resigned on 6 September 2021)
Mr. Ma Ving Lung (resigned on 7 September 2021)
Mr. Yu Chun Kau (resigned on 8 September 2021)

In accordance with article 108 and 112 of the articles of association of the Company, Mr. Shen Min and Mr. Chen Shiping will retire from office as executive Directors, and Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei will retire from office as independent non-executive Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

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

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Management Contracts

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

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/ Nature of interest	Number of shares *(Note 1)* held/ interested in	Percentage of interest in the Company
Mr. Shen Min	Interest in a controlled corporation *(Note 2)*	277,625,000	27.76%
	Interest of spouse *(Note 3)*	231,375,000	23.14%
		509,000,000	50.90%
Mr. Shen Minghui	Interest in a controlled corporation *(Note 4)*	131,475,000	13.15%
Ms. Liu Hui	Interest of spouse *(Note 5)*	131,475,000	13.15%
Mr. Xie Xing	Beneficial owner	35,000	0.00035%
Ms. Long Mei	Beneficial owner	50,000	0.0005%

Notes:

1. All interests stated are long positions.

2. Mr. Shen Min owns 100% of the issued share capital of Jiachen Investment Limited ("**Jiachen Investment**"). Accordingly, Mr. Shen Min is deemed to be interested in all the Shares held by Jiachen Investment by virtue of the SFO. On 6 September 2021, Jiachen Investment entered into an agreement to sell 100,000,000 Shares, representing 10% of the total number of issued shares of the Company to Global Yunhong Group Limited ("**Global Yunhong**"), which is independent of and not connected with the Company and its connected persons. Following the abovementioned disposal, Jiachen Investment holds 277,625,000 Shares.

3. Ms. Zhang Yaying, the spouse of Mr. Shen Min, owns 100% of the issued share capital of Xinchen Investment Limited ("**Xinchen Investment**"), which, in turn, holds 231,375,000 Shares. By virtue of the SFO, Mr. Shen Min is deemed or taken to be interested in all the Shares in which Ms. Zhang Yaying has, or is deemed to have, an interest for the purpose of the SFO.

4. Mr. Shen Minghui owns 100% of the issued share capital of Yilong Investment Limited ("**Yilong Investment**"), which, in turns, holds 131,475,000 Shares. Accordingly, Mr. Shen Minghui is deemed to be interested in 131,475,000 Shares held by Yilong Investment by virtue of the SFO.

5. Ms. Liu Hui is the spouse of Mr. Shen Minghui. By virtue of the SFO, Ms. Liu Hui is deemed or taken to be interested in all the Shares in which Mr. Shen Minghui has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests or short position which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange.

Share Option Scheme

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

(a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which the Company holds an equity interest;

(b) any non-executive Directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any shareholders of the Company or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The principal terms of the Scheme are as follows:

(a) The maximum number of Shares to be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Company's issued share capital from time to time.

(b) The total number of Shares which may be allotted and issued upon exercise of all options must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date which amount to 100,000,000 Shares and can be refreshed by seeking approval of the Shareholders in general meeting.

(c) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue.

(d) The subscription price of a Share in respect of any option granted under the Scheme shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option; and (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option. A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(e) An option granted under the Scheme shall not be transferable or assignable and is personal to the grantee.

(f) An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

(g) The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(h) The Scheme shall be valid for a period of 10 years commencing from 19 December 2019.

No share option has been granted since the adoption of the Scheme and there was no outstanding share option as at 31 December 2021.

Director's Rights to Purchase Shares or Debentures

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

Equity-Linked Agreements

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

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

As at 31 December 2021, so far as is known to the Directors and chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/ Nature of interest	Number of shares (Note 1) held/ interested in	Percentage of interest in the Company
Jiachen Investment (Note 2)	Beneficial owner	277,625,000	27.76%
Xinchen Investment (Note 3)	Beneficial owner	231,375,000	23.14%
Ms. Zhang Yaying	Interest in a controlled corporation (Note 3)	231,375,000	23.14%
	Interest of spouse (Note 4)	277,625,000	27.76%
Yilong Investment (Note 5)	Beneficial owner	131,475,000	13.15%
Global Yunhong Group Limited ("**Global Yunhong**") (Note 6)	Beneficial owner	100,000,000	10.00%
Mr. Li Yubao	Interest in a controlled corporation (Note 6)	100,000,000	10.00%

Notes:

1. All interests stated are long positions.

2. Jiachen Investment is wholly-owned by Mr. Shen Min. By virtue of the SFO, Mr. Shen Min is deemed to be interested in all of the Shares held by Jiachen Investment.

3. Xinchen Investment is wholly-owned by Ms. Zhang Yaying. By virtue of the SFO, Ms. Zhang Yaying is deemed to be interested in all of the Shares held by Xinchen Investment.

4. Mr. Shen Min, the spouse of Ms. Zhang Yaying, owns 100% of the issued share capital of Jiachen investment, which, in turn holds 277,625,000 Shares. By virtue of the SFO, Ms. Zhang Yaying is deemed or taken to be interested in all the Shares in which Mr. Shen Min has, or is deemed to have, an interest for the purpose of the SFO.

5. Yilong Investment is wholly-owned by Mr. Shen Minghui. By virtue of the SFO, Mr. Shen Minghui is deemed to be interested in all of the Shares held by Yilong Investment.

6. Global Yunhong is wholly-owned by Mr. Li Yubao. By virtue of the SFO, Mr. Li Yubao is deemed to be interested in all of the Shares held by Global Yunhong.

Save as disclosed above, as at 31 December 2021, no other persons (not being the Directors and chief executives of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2021, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the material related party transactions are set out in note 35 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Major Customers and Suppliers

For the year ended 31 December 2021, sales to the Group's five largest customers accounted for 19.7% (2020: 26.7%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 7.0% (2020: 8.0%).

For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for 36.7% (2020: 26.5%) of the total purchases of raw materials and services of the Group, while the percentage of the total purchases of raw materials and services of the Group attributable to the Group's largest supplier was approximately 9.5% (2020: 6.3%).

None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2021.

Pre-Emptive Rights

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

Permitted Indemnity Provision

During the year ended 31 December 2021 and up to the date of this report, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duties. The Company has arranged directors' and officers' liability insurance policy of the Company for the year ended 31 December 2021.

Competing Interests

As at 31 December 2021, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor has any other conflict of interest with the Group.

Employee Benefits

Details of the accounting policy for employee benefits are disclosed in Note 3(r) to the consolidated financial statements. The employee benefits of the Group amounted to approximately RMB14,623,000 (2020: RMB13,774,000) for the year ended 31 December 2021, including the contributions to the defined contribution retirement schemes of approximately RMB2,743,000 (2020: RMB1,423,000) as disclosed in Note 9 to the consolidated financial statements. During the last year ended 31 December 2020, in accordance with the then applicable notices "No. 11 [2020] of the Ministry of Human Resources and Social Security" and "No. 49 [2020] of the Ministry of Human Resources and Social Security" issued by the relevant authorities, the Group was granted with a special relief of a portion of its contributions to central pension schemes operated by the local municipal government up to the end of December 2020. There was no such relief granted during the current year ended 31 December 2021. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

Deed of Non-Competition

Other than Global Yunhong, the substantial shareholders of the Company (the "**Substantial Shareholders**") disclosed under the heading "SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY" in this Directors' report have entered into the Deed of Non-Competition in favour of the Company pursuant to which each of the covenantors has undertaken (for itself and for the benefit of each of the subsidiaries of the Group) that with effect from the date of Listing, they would not and would procure that none of their associates (except for any members of our Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in the PRC or such other places as the Group may conduct or carry on business from time to time including but not limited to the manufacturing and sale of access flooring products and provision of related installation services (the "**Restricted Business**").

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

- shall promptly notify the Company in writing and refer such Competing Business Opportunity to the Company for consideration and provide such information as reasonably required by the Company in order to enable it to come to an informed assessment of such Competing Business Opportunity; and

- shall not, and shall procure their associates (other than members of the Group) not to, invest or participate in the Competing Business Opportunity unless the Competing Business Opportunity has been rejected by the Company and in respect of Competing Business Opportunity, the principal terms on which the Substantial Shareholders or their respective associates shall invest or participate are no more favourable than those made available to the Company.

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

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of the Group to terminate his or her employment or consultancy (as applicable) with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or

- at any time employ any person who has been a director, manager, employee of or consultant to any member of the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or

- alone or jointly with any other person through or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of the Group, canvass, solicit or accept orders from or do business with any person with whom any members of the Group has done business or solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group in relation to the Restricted Business to cease to deal with the Group or to reduce the amount of business which the person would normally do with the Group or seek to improve their terms of trade with any member of the Group.

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

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

Charitable Donations

During the year ended 31 December 2021, the charitable and other donations made by the Group amounted to approximately RMB20,000 (2020: RMB90,000).

Sufficiency of Public Float

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

Business Review

A fair review of the business of the Company, a description of the principal risks and uncertainties facing the Company, an indication of likely future development in the Company's business as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 6 to 19 of this annual report. A discussion on the Company's environmental policies and performance and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and an account of the Company's key relationships with its employees, customers and suppliers and other that have a significant impact on the Company and on which the Company's success depends are set out in the Environmental, Social and Governance Report on pages 23 to 33 of this annual report. These discussions form part of this report.

Corporate Governance

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 34 to 46 of this annual report.

Material Events After the Reporting Period

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

Auditor

The consolidated financial statements for the year ended 31 December 2021 have been audited by Crowe (HK) CPA Limited ("**Crowe**"). Crowe shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the Listing Date.

On behalf of the Board

Chen Shiping
Executive Director

Hong Kong, 20 April 2022

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

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

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JiaChen Holding Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 62 to 153, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

The Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition	
(Refer to Notes 3(t)(i), 4(b)(i) and (vi), and 6 to consolidated financial statements) The Group's principal activities are manufacturing, sale and/or installation of the access flooring plates. The terms of the sales contracts are complex and the performance obligations, that are promised in the sales contracts and capable of being distinct and separately identifiable, mainly included supply of access flooring plates and/or installation services. The sales contracts also contain product assurance warranty clauses, which are mainly related to agreed-upon product function specification and with expiring dates falling within 1 to 2 years after the control of the promised assess flooring plates and/or installation services were transferred to the customers. Revenue was recognised when the control of the access flooring plates and/or the installation services have been transferred to the customers, over time or at a point in time. The progress towards complete satisfaction of the performance obligations are based on direct measurement of the actual quantities of the access flooring plates that were delivered to and accepted by the customers or installed onto the customers' properties, depending on the types of the sales contracts, using the output method. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	Our procedures in relation to the revenue recognition mainly included: a) Testing and evaluating the effectiveness of the key internal controls relating to the management's revenue recognition; b) Reading the terms of the sales contracts and evaluating the reasonableness for identifying and separating the performance obligations stipulated in the sales contracts, on a sample basis; c) Corroborating the relevant consideration and objective evidences used by the management in recognising the revenue, taking into consideration of the terms of the sales contracts, and testing the basis applied for the direct measurement of the quantities of the access flooring plates and/or installation services transferred to the customers, by reference to the underlying documents, including to but not limited to, delivery/shipping documents, status progress reports acknowledged by the customers or their authorised representatives, and the installation reports issued by the third party suppliers of the installation services; d) Testing the cut-off of revenue recognised for the access flooring plates and installation services transferred to the customers around the reporting period end; e) Obtaining the written confirmation replies directly from the customers for verifying the accuracy and completeness of the revenue recognised for the quantities of the access flooring plates and/or installation services transferred by the Group at the promised consideration during the year and the balances of trade and bills receivables and contract assets at the year end, on a sample basis; and f) Reviewing the adequacy of disclosures for the revenue made in the consolidated financial statements.

Key Audit Matters (Continued)

The Key Audit Matter	How our audit addressed the key audit matter
Impairment of trade and bills receivables and contract assets	
(Refer to Notes 3(j)(i), 4(b)(iii), 21(a), 22 and 38(a) to consolidated financial statements) At 31 December 2021, the Group's trade and bills receivables and contract assets amounted to approximately RMB141.8 million and RMB79.0 million, net of the allowance for lifetime expected credit losses ("**ECL**") of approximately RMB26.5 million and RMB3.7 million, respectively, and accounted for 33.1% and 18.5% of the Group's total assets, respectively. In the normal course of its ordinary business, the Group generally grants its customers with a credit period ranging from 60 to 365 days after billings. Contract assets represent the Group's rights to contract consideration for the promised access flooring plates and/or installation services transferred by the Group to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the access flooring plates and/or installation services transferred by the Group, other than on passage of time. When the rights to receipt of consideration for the performed obligations become unconditional, billings are issued to the customers and the contract assets are reclassified to trade and bills receivables. At 31 December 2021, contract assets also include retention monies, representing 3% to 10% of the consideration of the underlying contracts, of approximately RMB11.9 million retained by the customers and due for settlement only at the expiry date of the product assurance warranty period, usually within 1 to 2 years and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group. Contract assets share substantially the same risk characteristics of the trade and bills receivables for the same types of the sales contracts. The Group's customers are mainly the large property developers and state-owned enterprises in the PRC. The Group does not hold any collateral as security for the trade and bills receivables and contract assets. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after the year end. Loss allowances for trade and bills receivables and contract assets are measured at an amount equal to lifetime ECLs that are expected to result from all possible default events over the expected lives of the trade and bills receivables and contract assets. Lifetime ECLs on the trade and bills receivables and contract assets are estimated by reference to the collective risk characteristics of the customers, using a provision matrix based on the Group's historical credit loss experiences, as adjusted for current conditions at the reporting period end and forward looking information, factors specific to the debtors and general economic environment. We identified the impairment of trade and bills receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements and management's significant judgement and inherent estimation uncertainties are involved in determining the ECLs for trade and bills receivables and contract assets.	Our procedures in relation to the impairment of trade and bills receivables and contract assets mainly included: a) Evaluating the effectiveness of the key internal controls relating to the management's trade debt collection and impairment assessment of trade and bills receivables and contract assets; b) Evaluating the past matrix rates of historic credit losses for the different ageing bands of due and past due days of trade and bills receivables and contract assets; c) Corroborating the relevant consideration and objective evidences used by the management in assessing the lifetime ECLs of trade and bills receivables and contract assets; d) Reviewing past payment history of the Group's customers, testing the settlements from and billings to the customers during the year and after the year end and evaluating the supporting documentation for the estimated future cash flows for the trade and bills receivables and contract assets; e) Checking the analysis of the ageing bands for different groupings of due and past due trade debts in the provision matrix, and challenging the reasonableness of the provision rates applied in the ECL model adopted by the management, taking into consideration of historical credit loss rates and forward-looking information specific to the debtors, current and future economic and market conditions, like the forecasted 2022 PRC GDP with reference to expectations of credit analysts and International Monetary Fund, which might have impacts on the customers' abilities to settle their trade debts to the Group in future; f) Evaluating the implications arising from any discrepancy on the debtor confirmations directly obtained from the customers, making enquiries with management of and reviewing the correspondences with the customers for identifying any potential disputes with the customers; g) Conducting searches on the customers, on a sample basis; and h) Reviewing the adequacy of disclosures for the ECLs on trade and bills receivables and contract assets that were made in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 20 April 2022

Leung Chun Wa
Practising Certificate Number: P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	274,920	182,178
Cost of sales		(212,457)	(144,422)
Gross profit		62,463	37,756
Other revenue and other net income	7	3,311	12,388
Selling expenses		(8,696)	(5,580)
Impairment of contract assets and trade and bills receivables, net	9	(946)	(15,464)
Reversal of impairment of other receivables	9	–	213
Administrative expenses		(24,479)	(22,493)
Profit from operations		31,653	6,820
Finance costs	8	(3,698)	(5,062)
Profit before taxation	9	27,955	1,758
Income tax	10	(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	14	2.45	0.08

The notes on pages 68 to 153 form an integral part of these financial statements.

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**30,088**	29,394
Land use rights	16	**7,694**	7,867
Right-of-use assets	17	**277**	531
Other intangible assets	18	**46**	94
Long-term deposits and prepayments	19	**38,142**	55,000
Deferred tax assets	30(b)	**4,814**	5,059
		81,061	97,945
Current assets			
Inventories	20	**50,870**	30,959
Contract assets	21	**79,099**	77,963
Trade and bills receivables	22	**141,768**	119,381
Deposits, prepayments and other receivables	23	**15,897**	12,332
Amount due from a shareholder and director	35(b)	**1,331**	–
Restricted bank deposits	24	**2,761**	4,616
Cash and cash equivalents	25	**55,269**	52,599
		346,995	297,850
Total assets		**428,056**	395,795
Current liabilities			
Trade and bills payables	26	**17,980**	27,797
Contract liabilities	21	**3,080**	3,870
Accruals and other payables	27	**26,986**	17,966
Lease liabilities	28	**159**	883
Bank borrowings	29	**81,000**	71,000
Tax payable	30(a)	**2,371**	1,742
		131,576	123,258
Net current assets		**215,419**	174,592
Total assets less current liabilities		**296,480**	272,537

AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	*28*	**125**	866
Net assets		**296,355**	271,671
Equity			
Share capital	*31(a)*	**8,856**	8,856
Reserves	*31*	**286,199**	261,657
Equity attributable to owners of the Company		**295,055**	270,513
Non-controlling interests	*32*	**1,300**	1,158
Total equity		**296,355**	271,671

Approved and authorised for issue by the board of directors on 20 April 2022.

Shen Min
Director

Chen Shiping
Director

The notes on pages 68 to 153 form an integral part of these financial statements.

	Equity attributable to owners of the Company							
	Share capital RMB'000 (Note 31(a) and (d))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(b))	Statutory reserve RMB'000 (Note 31(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 32)	Total RMB'000
At 1 January 2020	–	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Issuance of new shares under capitalisation issue *(Note 31(a) and (d))*	6,642	(6,642)	–	–	–	–	–	–
Issuance of new shares under the Global Offering *(Note 31(a) and (d))*	2,214	115,128	–	–	–	117,342	–	117,342
Shares issuing costs *(Note 31(d))*	–	(16,164)	–	–	–	(16,164)	–	(16,164)
Effects arising from capital contribution to a partially-held subsidiary *(Note 32)*	–	–	9	–	557	566	(566)	–
Profit and total comprehensive income for the year	–	–	–	–	744	744	44	788
Transfer of statutory reserve *(Note 31(c))*	–	–	–	935	(935)	–	–	–
At 31 December 2020 and 1 January 2021	**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 *(Note 31(c))*	**–**	**–**	**–**	**3,307**	**(3,307)**	**–**	**–**	**–**
At 31 December 2021	**8,856**	**154,249**	**1,577**	**14,375**	**115,998**	**295,055**	**1,300**	**296,355**

The notes on pages 68 to 153 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		27,955	1,758
Adjustments for:			
Interest income	7	(288)	(1,066)
Finance costs	8	3,698	5,062
Impairment of contract assets and trade and bills receivables, net	9	946	15,464
Reversal of impairment of other receivables	23	–	(213)
Depreciation of property, plant and equipment	15	4,547	4,904
Depreciation of right-of-use assets	17	566	887
Amortisation of land use rights	16	173	173
Amortisation of other intangible assets	18	48	48
Net loss on disposal of property, plant and equipment	9	490	39
Gain on lease termination	7	(418)	–
Operating profit before changes in working capital		37,717	27,056
Increase in inventories		(19,911)	(1,374)
(Increase)/decrease in contract assets, trade and bills and other receivables		(27,707)	39,096
Increase in amount due from a shareholder and director		(1,331)	–
Decrease in trade and bills payables		(9,817)	(9,782)
Increase/(decrease) in other payables and contract liabilities		8,414	(11,816)
Cash (used in)/generated from operations		(12,635)	43,180
Tax paid	30(a)	(2,397)	(3,365)
Cash (used in)/generated from operating activities		(15,032)	39,815
Investing activities			
Payment for acquisition of property, plant and equipment		(7,351)	(6,059)
Proceeds from disposal of property, plant and equipment		166	109
Refund/(payments) of long-term deposits and prepayments of property, plant and equipment, net	19	18,876	(55,000)
Payment for compensation of acquisition of land	19	(2,018)	–
Withdrawal/(placement) of restricted bank deposits		1,855	(1,146)
Interest received		288	270
Net cash generated from/(used in) investing activities		11,816	(61,826)

	Notes	2021 RMB'000	2020 RMB'000
Financing activities			
Proceeds from issuance of new shares under the Global Offering	*31(a) and (d)*	–	117,342
Payment for costs of issuing new shares	*31(d)(i)*	–	(9,694)
Proceeds from bank borrowings	*36*	**81,000**	129,000
Repayment of bank borrowings	*36*	**(71,000)**	(171,368)
Repayment of lease liabilities	*36*	**(724)**	(1,325)
Interests paid	*36*	**(3,390)**	(5,759)
Net cash generated from financing activities		**5,886**	58,196
Increase in cash and cash equivalents		**2,670**	36,185
Cash and cash equivalents at beginning of year		**52,599**	16,414
Cash and cash equivalents at end of year		**55,269**	52,599

The notes on pages 68 to 153 form an integral part of these financial statements.

1. Corporate Information

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

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**").

At 31 December 2021 and 2020, the immediate and ultimate holding company of the Company was Jiachen Investment Limited ("**Jiachen Investment**"), a company incorporated in the British Virgin Island (the "**BVI**") and wholly owned by 沈敏 (Mr. Shen Min) ("**Mr. Shen**") who was regarded as the ultimate controlling party of the Group.

2. Subsidiaries

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

Name	Principal activities	Country of incorporation	Place of business	Form of legal entity	Date of incorporation	Issued and paid up capital	Effective interest held by the Company
Directly held by the Company							
LeiShuo Ventures Development Limited ("**LeiShuo Ventures**")	Investment holding	BVI	Hong Kong ("**HK**")	Limited liability company	18 July 2017	US$1 (2020: US$ 1)	100% (2020: 100%)
Rui Xing Holdings Limited ("**Rui Xing Holdings**")	Investment holding	BVI	HK	Limited liability company	5 July 2016	US$1 (2020: US$ 1)	100% (2020: 100%)
Indirectly held by the Company							
Jinyueda Development Limited ("**Jinyueda Development**")	Investment holding	HK	HK	Limited liability company	11 August 2017	US$1 (2020: US$ 1)	100% (2020: 100%)
Vicor Best Investment Limited ("**Victor Best Investment**")	Investment holding	HK	HK	Limited liability company	30 June 2016	US$1 (2020: US$ 1)	100% (2020: 100%)
常州市金港商務信息咨詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*) ("**Changzhou Jingang**")	Investment holding	PRC	PRC	Limited liability company	9 December 2017	RMB1,000,000 (2020: RMB1,000,000)	100% (2020: 100%)
常州市金台商務信息咨詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) ("**Changzhou Jintai**")	Investment holding	PRC	PRC	Limited liability company	8 December 2017	RMB1,000,000 (2020: RMB1,000,000)	99% (2020: 99%)
佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd.*) ("**JiaChen Floor**")	Manufacturing and supply of steel access flooring plates and calcium-sulfate access flooring plates	PRC	PRC	Limited liability company	18 September 2009	RMB130,800,000 (2020: RMB130,800,000)	99.54% (2020: 99.54%)
運鴻低碳環保科技湖北有限公司 (Yunhong Low Carbon Environment Technology (Hubei) Company Limited*) ("**Yunhong Low Carbon Environment**")	Research and development of new recyclable natural resources, energy retrieval systems and recycling of wastes from building materials; and sales of environmental protection equipment	PRC	PRC	Limited liability company	13 October 2021	RMB1,000,000	100%
佳辰碳中和科技常州有限公司 (Jiachen Carbon Neutral Technology (Changzhou) Company Limited*) ("**Jiachen Carbon Neutral**")	Research and development of new recyclable natural resources, energy retrieval systems and recycling of wastes from building materials; and sales of environmental protection equipment	PRC	PRC	Limited liability company	18 October 2021	RMB1,000,000	100%

* *For identification purpose only*

2. Subsidiaries (Continued)

Changzhou Jingang, being a wholly-owned subsidiary of Jinyueda Development and a wholly foreign-owned enterprise, directly holds 99% of the registered capital of Changzhou Jintai while Changzhou Jintai and Victor Best Investment, at 31 December 2021, directly hold 46.48% (2020: 46.48%) and 53.52% (2020: 53.52%) of the registered capital of JiaChen Floor, respectively.

JiaChen Floor is the core operating entity of the Group during the two years ended 31 December 2021 and 2020.

Changzhou Jingang, Changzhou Jintai, JiaChen Floor, Yunhong Low Carbon Environment and Jiachen Carbon Neutral are registered as foreign-owned enterprise, domestic-owned enterprise, sino-foreign equity joint venture enterprise, domestic-owned enterprise and domestic-owned enterprise, respectively, under the applicable laws of the PRC. None of the subsidiaries had issued any debt securities at 31 December 2021 and 2020.

3. Significant Accounting Policies

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 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.

3. Significant Accounting Policies (Continued)

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

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

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

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

(c) Changes in accounting policies

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

Amendments to HKFRS 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

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

(d) Subsidiaries and non-controlling interests

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

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

3. Significant Accounting Policies (Continued)

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

3. Significant Accounting Policies (Continued)

(e) (i) Business combinations or assets acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

3. Significant Accounting Policies (Continued)

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

Business combinations (Continued)

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

– deferred tax assets or liabilities and assets and liabilities, related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employees Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

3. Significant Accounting Policies (Continued)

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

Business combinations (Continued)

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

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

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

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

3. Significant Accounting Policies (Continued)

(f) Property, plant and equipment

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

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

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

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

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

(g) Intangible assets (other than goodwill)

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

(i) Computer software

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

(ii) Research and development expenditure

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

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

3. Significant Accounting Policies (Continued)

(g) Intangible assets (other than goodwill) (Continued)

(ii) Research and development expenditure (Continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(h) Leased assets

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

The Group as a lessee

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

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

3. Significant Accounting Policies (Continued)

(h) Leased assets (Continued)

The Group as a lessee (Continued)

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

3. Significant Accounting Policies (Continued)

(i) Land use rights

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

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– contract assets as defined in HKFRS 15 (see Note 3(l)).

Measurement of ECLs

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

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

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

– variable-rate financial assets: current effective interest rate.

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

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

3. Significant Accounting Policies (Continued)

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

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

General approach

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

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

3. Significant Accounting Policies (Continued)

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

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

General approach (Continued)

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

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

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

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

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

Simplified approach

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

3. Significant Accounting Policies (Continued)

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

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

Significant increases in credit risk

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

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment hat have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

3. Significant Accounting Policies (Continued)

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

3. Significant Accounting Policies (Continued)

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

(ii) Impairment of other non-current assets

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

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

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generated unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

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

3. Significant Accounting Policies (Continued)

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

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(k) Inventories

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

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

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

3. Significant Accounting Policies (Continued)

(l) Contract assets

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

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

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses (see Note 3(j)(i)).

(n) Cash and cash equivalents

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

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequently to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Contract liabilities

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

3. Significant Accounting Policies (Continued)

(q) Interest-bearing borrowings

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

(r) Employee benefits

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

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

Contributions to Mandatory Provident Funds (the "**MPF**") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss and when incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries in Mainland China are required to contribute 16% of their payroll costs to the central pension scheme. Contributions to pension schemes operated by the local municipal government in Mainland China fully vest with the employers when contributed and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Share-based payments

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

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

3. Significant Accounting Policies (Continued)

(r) Employee benefits (Continued)

(iii) Termination benefits

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

(s) Income tax

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(s) Income tax (Continued)

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

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

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  • the same taxable entity; or

  • different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Revenue recognition

(i) Revenue from contracts with customers

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

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

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

(i) provides the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

More specifically, revenue is recognised as follows:

(1) Revenue from a contract with bundled performance obligations of supply of access flooring plates and installation services are recognised when the control of the access flooring plates and installation services are transferred to the customer over time, as the Group's performance of these contract obligations can either create or enhance the value of the site properties of the customer or the customer simultaneously receives and consumes the benefits when the Group performs over time, and is based on the direct measurement of the quantities of access flooring plates having been delivered to and installed onto the customer's properties by reference to progress status reports acknowledged either by the customer or its agent, and the installation reports issued by the third party suppliers of the installation services, which install the Group's access flooring plates onto the customer's properties.

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

(3) Revenue from a contract with single performance obligation of providing installation services is recognised when the installation services are rendered by the Group and accepted by the customer by reference to the completion report certified by the customer.

(4) Income from provision of after-sale repair services is recognised when the after-sale repair services are rendered by the Group and accepted by the customer, in accordance with the terms of the contract made with the customer. During the years ended 31 December 2021 and 2020, no after-sale repair service was rendered by the Group.

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

(ii) Interest income

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

(iii) Government grants and subsidies

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

(u) Borrowing costs

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

3. Significant Accounting Policies (Continued)

(v) Translation of foreign currencies

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

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

(w) Provisions and contingent liabilities

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

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

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

3. Significant Accounting Policies (Continued)

(x) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides management personnel services to the Group or to the Group's key parent.

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

(y) Offsetting financial instruments

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

3. Significant Accounting Policies (Continued)

(z) Segment reporting

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

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

4. Accounting Estimates and Judgements

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

(a) Judgement

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

(i) Tax

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

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

4. Accounting Estimates and Judgements (Continued)

(a) Judgement (Continued)

(i) Tax (Continued)

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

(b) Estimation uncertainty

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

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

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

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

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

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

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

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

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

(ii) Net realisable value of inventories

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

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

The Group determines the provision for impairment of trade and other receivables and contract assets (including retention monies receivable) on a forward looking basis and lifetime ECLs are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates on the contract assets, trade and bills receivables at 31 December 2014, 2015, 2016, 2017, 2018 and 2019 and is adjusted for forward looking estimates. Other receivables are considered for 12-month ECLs unless there was significant increase in the credit risk of the debtors in which case, lifetime ECLs are recognised. Contract assets will be transferred to trade receivables when the contract work performed are satisfied by the customers, or in case of the retention monies receivable which are also included in contract assets, the warranty period expires when the customers are satisfied with the final quality of the access flooring plates transferred and/or installation performed, which is taken a point in time when the Group has unconditional right to receive payments from the customers under the contracts. The Group assesses that the contract assets (including the retention monies receivable) have substantially the same risk characteristics as the trade receivables for same types of contracts. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed bad debt rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

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

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

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

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

(vi) Product warranty

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the access flooring plates, which were sold by the Group, and control of access flooring plates were passed to the customers over time (which is taken as when the access flooring plates are installed onto the customers' properties or possession of the access flooring plates are accepted by the customers) or at a point in time, for a specified period of time normally falling between 1 to 2 years, on a contract by contract basis, after the control of access flooring plates were transferred to the customers under the relevant sales contracts. Management of the Group considered that the warranty clauses only provide the customers with assurance that the access flooring plates will function as the Group and the customers, being parties to the contracts, intended in accordance with the agreed-upon specifications and accordingly, the warranty clauses do not provide the customers with a service in addition to assurance that the access flooring plates comply with agreed-upon specifications. There were no significant costs incurred in the past for those access flooring plates after sales during the warranty period and at 31 December 2021. Management of the Group was not aware of any events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates sold to the customers.

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

(vii) Impairment of non-financial assets

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

(viii) Impact of COVID-19

With continuously increasing in the new infections of COVID-19 globally and recent outbreak of Omicron variant of COVID-19 in the PRC after 31 December 2021 which have led to a series of precautionary and control measures, including but not limited to temporary lockdown, implemented across several cities of the PRC, these inevitably have an impact on travel restrictions and the Company's business. Taking into account the possible derail of recovery due to unfavorable macro environment and the pandemic impact, the Group will continue assessing the impacts of COVID-19 on the financial performance of the Group and will react proactively to the evolving market conditions. However, due to the inherent unpredictable nature and rapid development of COVID-19, the Group is not able to quantify the potential impacts. As of the date of approval of the consolidated financial statements, the management of the Group is not aware of any material uncertainty which could cast a doubt on the Group's ability to continue as a going concern.

5. Operating Segment Information

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

– Steel access flooring plates; and

– Calcium-sulfate access flooring plates.

(a) Segment results, assets and liabilities

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

– Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and bills payables, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

5. Operating Segment Information (Continued)

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
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 results	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, net	(383)	11,751	(97)	2,814	(480)	14,565
Impairment of contract assets, net	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

5. Operating Segment Information (Continued)

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

	2021 RMB'000	2020 RMB'000
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 RMB'000	2020 RMB'000
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

5. Operating Segment Information (Continued)

(d) Information about major customer

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

(e) Geographical information

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

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

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

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

6. Revenue

	2021 *RMB'000*	2020 *RMB'000*
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 *RMB'000*	2020 *RMB'000*
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

7. Other Revenue and Other Net Income

	2021 **RMB'000**	2020 RMB'000
Other revenue:		
Bank interest income	**288**	270
Other interest income	**–**	796
	288	1,066
Other net income or loss:		
Government 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 *(note 17(c))*	**418**	–
Bad debts 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.

8. Finance Costs

	2021 **RMB'000**	2020 RMB'000
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 *(Note 28)*	**77**	106
	3,698	5,062

9. Profit Before Taxation

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

	2021 RMB'000	2020 RMB'000
Contract costs of goods sold and services rendered *(Note (a))*	**212,457**	144,422
Depreciation of property, plant and equipment *(Note 15)*	**4,547**	4,904
Amortisation of right-of-use assets *(Note 17)*	**566**	887
Amortisation of other intangible assets *(Note 18)*	**48**	48
Amortisation of land use rights *(Note 16)*	**173**	173
(Reversal of impairment)/impairment of trade receivables *(Note 22(b))*	**(480)**	14,565
Impairment of contract assets *(Note 21(a)(vi))*	**1,426**	899
Impairment of contract assets and trade and bills receivables, net	**946**	15,464
Reversal of impairment of other receivables *(Note 23)*	**–**	(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 *(Note (c))*	**2,743**	1,423
Research and development costs *(Note (b))*	**12,111**	7,043

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately 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 (2019: RMB3,966,000) and depreciation 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.

(c) During the last year ended 31 December 2020, in accordance with the then applicable notices "No. 11 [2020] of the Ministry of Human Resources and Social Security" and "No. 49 [2020] of the Ministry of Human Resources and Social Security" issued by the relevant authorities, the Group was granted with a special relief of a portion of its contributions to central pension schemes operated by the local municipal government up to the end of December 2020. There was no such relief granted during the current year ended 31 December 2021.

10. Income Tax

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

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

Jinyueda Development and Victor Best Investment, which were incorporated in Hong Kong in 2017, are subject to Hong Kong Profits Tax at the rate of 16.5% on the assessable profits in Hong Kong. Neither Jinyueda Development nor Victor Best Investment has assessable profits derived in Hong Kong during the years ended 31 December 2021 and 2020.

LeiShuo Ventures and Rui Xing Holdings were incorporated in the BVI and none of them has assessable profits derived in Hong Kong during the years ended 31 December 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 and Changzhou Jingang, which were established in the PRC in 2017, are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits and each of Changzhou Jintai and Changzhou Jingang has no taxable profit since their respective dates of establishment.

During the years ended 31 December 2021 and 2020, in accordance with the then applicable notice "Cai Shui [2015] Notice 119", "Cai Shui [2018] Notice 99" and the new notice "Cai Shui [2021] Notice 13", 100% (2020: 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 9(b).

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. As set out in Note 30(b), at 31 December 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.

10. Income Tax (Continued)

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

	2021 RMB'000	2020 RMB'000
Current tax – PRC Corporation Income Tax		
– Charge for the year	**3,026**	3,290
Deferred tax		
– Origination and reversal of temporary differences *(Note 30(b))*	**245**	(2,320)
	3,271	970

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**27,955**	1,758
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	**7,484**	1,172
Effect of preferential income tax policy in the PRC	**(3,378)**	(1,037)
Tax effect of non-deductible expenses	**961**	3,914
Tax effect of non-taxable income	**(62)**	(50)
Tax effect for deduction on qualifying research and development expenses	**(1,541)**	(709)
Tax effect of other temporary differences not recognised	**(438)**	–
Tax effect of temporary differences recognised	**245**	(2,320)
Income tax expense for the year	**3,271**	970

11. Directors' and Chief Executive's Remuneration

Certain directors of the Company received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. Details of the remuneration of each of these directors of the Company as recorded in the financial statements of the subsidiaries for the two years ended 31 December 2021 and 2020, which were included in the staff costs as disclosed in Note 9, are set out below:

	Year ended 31 December 2021				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Shen	–	240	20	–	260
Mr. Shen MH	–	225	15	59	299
Mr. Chen	–	237	20	77	334
Ms. Liu	–	148	8	36	192
Independent non-executive directors					
Mr. Ma Ving Lung (resigned on 7/9/2021)	75	–	–	–	75
Ms. Shi Dongying (resigned on 6/9/2021)	75	–	–	–	75
Mr. Yu Chun Kau (resigned on 8/9/2021)	75	–	–	–	75
Mr. Xie Xing (appointed on 9/9/2021)	30	–	–	–	30
Mr. Wang Li (appointed on 8/11/2021)	10	–	–	–	10
Ms. Long Mei (appointed on 15/11/2021)	8	–	–	–	8
	273	850	63	172	1,358

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

	Year ended 31 December 2020				
	Directors' fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Shen	–	233	17	–	250
Ms. Zhang (resigned on 2/7/2020)	–	56	8	–	64
Mr. Shen MH	–	170	10	24	204
Mr. Chen	–	233	17	40	290
Ms. Liu	–	48	5	5	58
Independent non-executive directors					
Mr. Ma Ving Lung	98	–	–	–	98
Ms. Shi Dongying	98	–	–	–	98
Mr. Yu Chun Kau	98	–	–	–	98
	294	740	57	69	1,160

(a) No emolument was paid and payable to any of the directors of the Company and the five highest paid individuals of the Group, set out in Note 12 below, as an inducement to join or upon joining the Group or as compensation for loss of office for the two years ended 31 December 2021 and 2020. None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments for the two years ended 31 December 2021 and 2020.

12. Emoluments of Five Highest Paid Individuals

Of the five highest paid individuals of the Group, four (2020: three) are the directors of the Company, whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other one (2020: two) is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries and other emoluments	**499**	615
Discretionary bonuses	**–**	–
Pension scheme contributions	**–**	–
	499	615

12. Emoluments of Five Highest Paid Individuals (Continued)

The emoluments of the other one individual (2020: two individuals) with the highest emoluments of the Group are within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil – HK$1,000,000	**1**	2

13. Dividends

During the two years ended 31 December 2021 and 2020, no dividend was declared and paid to the then shareholders of the companies now comprising the Group.

14. Earnings Per Share

The Company completed the listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including 10,130 ordinary shares in issue at 31 December 2020, 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 *RMB'000*	2020 *RMB'000*
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
Weighted average number of 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 cents (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 2020.

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

15. Property, Plant and Equipment

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1/1/2020	13,772	36,921	936	2,035	–	53,664
Additions	–	6,030	14	290	51	6,385
Disposals	–	(362)	–	–	–	(362)
At 31/12/2020 and 1/1/2021	13,772	42,589	950	2,325	51	59,687
Additions	–	1,877	16	–	4,004	5,897
Disposals	–	(2,728)	(2)	–	–	(2,730)
Transfer	–	51	–	–	(51)	–
At 31/12/2021	13,772	41,789	964	2,325	4,004	62,854
Accumulated depreciation and impairment						
At 1/1/2020	5,113	18,887	735	868	–	25,603
Charge for the year	654	3,791	64	395	–	4,904
Written back on disposal	–	(214)	–	–	–	(214)
At 31/12/2020 and 1/1/2021	5,767	22,464	799	1,263	–	30,293
Charge for the year	655	3,631	40	221	–	4,547
Written back on disposal	–	(2,072)	(2)	–	–	(2,074)
At 31/12/2021	6,422	24,023	837	1,484	–	32,766
Carrying amounts						
At 31/12/2021	7,350	17,766	127	841	4,004	30,088
At 31/12/2020	8,005	20,125	151	1,062	51	29,394

(a) As at 31 December 2021, the carrying amount of leasehold buildings with carrying amount of approximately RMB7,350,000 (2020: RMB8,005,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 29.

(b) During the year ended 31 December 2021, depreciation expense was charged to "cost of goods sold and services rendered", "selling expenses" and "administrative expenses", respectively as follow:

	2021 RMB'000	2020 RMB'000
Cost of goods sold and services rendered	**3,866**	3,965
Selling expenses	**668**	17
Administrative expenses	**13**	922
	4,547	4,904

16. Land Use Rights

	2021 RMB'000	2020 RMB'000
Beginning of the year	**8,040**	8,213
Addition	**–**	–
Amortisation	**(173)**	(173)
End of the year	**7,867**	8,040
Analysed for reporting purpose as:		
Current assets	**173**	173
Non-current assets	**7,694**	7,867
	7,867	8,040

Notes:

(a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 46 (2020: 47) years at 31 December 2021.

(b) As at 31 December 2021, the carrying amount of land use rights of approximately RMB7,867,000 (2020: RMB8,040,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 29.

17. Right-of-Use Assets

	RMB'000
Cost	
At 1 January 2020	5,748
Addition	184
At 31 December 2020 and 1 January 2021	5,932
Addition	464
Derecognition upon lease termination	(5,932)
At 31 December 2021	464
Accumulated depreciation and impairment	
At 1 January 2020	4,514
Depreciation for the year	887
At 31 December 2020 and 1 January 2021	5,401
Depreciation for the year	566
Derecognition upon lease termination	(5,780)
At 31 December 2021	187
Carrying amounts	
At 31 December 2021	277
At 31 December 2020	531

17. Right-of-Use Assets (Continued)

(a) The right-of-use assets represent the Group's rights to use underlying leased assets, which are mainly leasehold buildings, under lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liabilities.

(b) During the year ended 31 December 2021, depreciation expense was charged to "cost of goods sold and services rendered" and "selling expenses", respectively as follows:

	2021	2020
	RMB'000	*RMB'000*
Cost of goods sold and services rendered	**248**	647
Selling expenses	**318**	240
	566	887

(c) Upon the early termination of the leases during the year ended 31 December 2021, right-of-use assets with net carrying amount of approximately RMB152,000, prepayment of lease payments of RMB635,000, and related lease liabilities of approximately RMB1,205,000 were derecognised, resulting in a gain of approximately RMB418,000, which was credited to profit or loss for the year ended 31 December 2021.

18. Other Intangible Assets

	Computer software
	RMB'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	238
Accumulated amortisation and impairment	
At 1 January 2020	96
Charge for the year	48
At 31 December 2020 and 1 January 2021	144
Charge for the year	48
At 31 December 2021	192
Carrying amounts	
At 31 December 2021	46
At 31 December 2020	94

19. Long-Term Deposits and Prepayments

	2021 *RMB'000*	2020 *RMB'000*
Prepayments for acquisition of property, plant and equipment *(note (a))*	**15,000**	15,000
Deposit paid for acquisition of land use rights *(note (b))*	**23,142**	40,000
	38,142	55,000

(a) Prepayments for acquisition of property, plant and equipment are made in accordance with the payment terms as stipulated in the acquisition contract entered into between JiaChen Floor and an independent third party. The acquisition costs which are contracted but not provided for are included in commitments (Note 34(b)).

(b) By reference to memorandum of understanding made by the Group and the Municipal Government in Henglin Town Government of Wujin District, Changzhou City, the PRC (the "**Local Government**") on 20 December 2018 (the "**MOU**") in relation to the proposed acquisition of a parcel of land located in Henglin Town, Wujin District, Changzhou City, the PRC, on 29 December 2020, the Group paid a refundable deposit of RMB40,000,000 to the Local Government which will be applied to settle the consideration to be agreed. On 25 March 2021, the Group and the Local Government, entered into a supplemental MOU under which the valid period of the proposed acquisition of the parcel of land, with approximately 64 mu (previously 45 mu under the 2018 MOU above) located in Henglin Town, Wujin District, Changzhou City, the PRC, has been extended to 30 September 2021.

On 14 May 2021, the Group paid a one-off compensation of RMB2,018,000 to the land owner which is an independent third party as a compensation of the transfer of the abovementioned parcel of land.

On 4 June 2021, the Group and the Local Government agreed that the refundable deposits be reduced from RMB40,000,000 to RMB21,124,000. As such, on 4 June 2021, the Group paid a refundable deposit of RMB21,124,000 to the Local Government which will be applied to settle the consideration to be agreed. On 28 June 2021, the Local Government refunded the refundable deposit of RMB40,000,000 to the Group.

Subsequent to the end of the reporting period, on 4 March 2022, the Group and the Local Government entered into a formal sale and purchase agreement pursuant to which the Group agrees to acquire part of the land with area of approximately 35.67 mu at a consideration of RMB16,050,000 which will be settled by the deposit paid by the Group.

20. Inventories

	2021 *RMB'000*	2020 *RMB'000*
Raw materials	**26,202**	14,072
Finished goods	**24,668**	16,887
	50,870	30,959

21. Contract Assets and Contract Liabilities

	2021 RMB'000	2020 RMB'000
Reported on the consolidated statement of financial position:		
Under current assets		
Contract assets *(Note (a))*	**82,755**	80,193
Less: Allowance for lifetime ECLs *(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 lifetime ECLs, comprise the following components:

	2021 RMB'000	2020 RMB'000
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 was no material dispute received from any of the Group's customers.

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2021 **RMB'000**	2020 RMB'000
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 6)*	**274,920**	182,178
– Value-added tax on revenue recognised *(see 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.

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2021 *RMB'000*	2020 *RMB'000*
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 bad debt rates of contract assets as at 31 December 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 were 0%, 0%, 0.18%, 1.43%, 1.65%, 2.13%, 2.36% (revised from previously reported 2.78%, as referred to Note 22 (b)(i)) and 4.2%, respectively.

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(iv) Retention monies receivable (Continued)

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 ECLs, is as follows:

	2021 RMB'000	2020 RMB'000
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 within the normal operating cycle, which generally fall between 1–2 years after sales, under the relevant contracts.

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(v) (Continued)

An analysis of due dates for settlement of the Group's retention monies receivable that are held by the customers during the product assurance warranty period with the normal operating cycle, before allowance for lifetime ECLs, is as follows:

	2021 RMB'000	2020 RMB'000
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 management of the Group considered that there has not been a significant change in credit quality of the customers. The Group concluded that the lifetime expected credit loss rates for trade and bills receivables are a reasonable approximation of the rates for lifetime ECLs for contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the net carrying amount of contract assets (after deduction of allowance for lifetime ECLs) are still considered fully recoverable at 31 December 2021 and 2020. The Group does not hold any collateral as security for the contract assets at 31 December 2021 and 2020.

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 ECLs on contract assets based on the trend of the historic bad debt rates of contract assets, taking into account of the history and patterns of billings to and settlements from the customers, other factors specific to the customers and forward looking information, such as the expected economic conditions which might have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts. The rates of 4.42% (2020: 2.78% which was revised to 2.36% as referred to note 22(b)(i)) was applied by management of the Group for making provision for the exposures to lifetime ECLs on contract assets at 31 December 2021, of which, further details are disclosed in note 22(b).

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

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

The movements in allowance for lifetime ECLs on contract assets during the year ended 31 December 2021 are as follows:

	2021 *RMB'000*	2020 *RMB'000*
At 1 January	2,230	1,331
Impairment losses reversed (note 22(b)(i))	(333)	–
Impairment losses recognised	1,759	899
Charge for the year, net	1,426	899
At 31 December (note (c)(ii))	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 *RMB'000*	2020 *RMB'000*
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) Information about unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to the supply and installation of floor plates that are unsatisfied (or partially unsatisfied) as at 31 December 2021.

	2021 *RMB'000*	2020 *RMB'000*
Remaining performance obligations for the supply and/or installation of access flooring plates expected to be satisfied during the following periods:		
Expected to be recognised within one year	115,907	109,502
Expected to be recognised over one year	5,788	3,561
	121,695	113,063

21. Contract Assets and Contract Liabilities (Continued)

(d) 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.

22. Trade and Bills Receivables

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

Notes:

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

	2021 *RMB'000*	2020 *RMB'000*
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 lifetime ECLs, at 31 December 2021 and 2020 are set out in notes (b) and (c) below.

The Group grants a credit period ranging from 60 to 365 days to its customers. The Group does not hold any collaterals as security for the trade and bills receivables at 31 December 2021 and 2020. The trade and bills receivables are non-interest bearing.

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

The Group applies the simplified approach to provide for expected credit losses ("**ECLs**") prescribed by the 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 estimates for ECL rates on contract assets and trade and bills receivables, which are based on the statistical regression model, are further adjusted after considering the status of the subsequent settlements received from the customers after 31 December 2021 and additional individual assessment if the relevant customers are defaulted in settlement.

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

	Gross amounts (before allowance for expected credit losses) at 31 December 2021 *RMB'000*	Subsequent settlements received up to 9 March 2022 *RMB'000*	%
Contract assets (note 21(a))	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

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

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, and after considering the status of subsequent settlements received from the customers subsequent to 31 December 2021 and additional individual assessment if the relevant customers are defaulted in settlement:

	Coefficient of determination (R squared), the proportion of the variance in the ECL rate that is predictable from the following year's PRC GDP growth rate *	Intercept for the linear between the following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** A %	Coefficient factor between following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** B	Forward looking factors: change in PRC 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%) *** 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****
6–9 months	0.43	10.76	-0.8902	1.03	6.90	17.11****
9–12 months	0.78	17.67	-1.7747	2.06	9.97	19.59****
1–2 years	0.37	31.44	-2.3249	2.69	21.34	51.33****
Over 2 years	0.69	71.55	-5.9736	6.92	45.62	86.22****
Overall – Trade and bills receivables	0.68	12.34	-0.83247	1.12	8.88	15.76****

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

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

** *Intercept = (∑y)(∑x2) – (∑x)(∑xy)/n(∑x2) – (∑x)2 and Coefficient factor = n(∑xy) – (∑x)(∑y)/n(∑x2) – (∑x)2, where y is the ECL rate for contract assets and trade and bills receivables falling into each of the ageing bands at the reporting period end and x is the following year's PRC GDP growth rate.*

*** *The initial official target GDP growth rate for 2022 was 5.5% as announced by the 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 adverse 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 in Ukraine on the PRC economy, with reference to credit analysts' expectations.*

On 19 April 2022, International Monetary Fund issued its revised forecast for 2022 PRC GDP growth rate at 4.4% which is close to the management's estimation.

**** *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, and additional individual assessment on the payment history and patterns of these customers falling into each of these respective ageing bands of trade and bills receivables.*

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

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. At 31 December 2021, allowance for lifetime ECLs on trade and bills receivables amounted to approximately RMB26,514,000 (2020: RMB26,994,000) was made.

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

	2021 RMB'000	2020 RMB'000
At 1 January	**26,994**	15,006
Impairment losses reversed (note (i))	**(17,411)**	–
Impairment losses recognised	**16,931**	14,565
(Reversal)/charge for the year, net	**(480)**	14,565
Write-off during the year (note (ii))	**–**	(2,577)
At 31 December (note (c)(ii))	**26,514**	26,994

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

(i) During the year ended 31 December 2021, management of the Group vigorously put in more efforts in chasing the trade debt collections from the customers and the overall economic performance and conditions in the PRC were better than expected, as reflected by the actual 2021 PRC GDP growth rate at 8.1% as compared to 6% forecasted at the beginning of 2021. In consequence, the estimates for allowance for lifetime expected credit loss and bad debt loss rates on contract assets and trade and bills receivables at 31 December 2020 have been revised, after having considered the updated actual settlements on contract assets and trade and bills receivables totaling approximately RMB37,263,000 and RMB117,486,000 received from the Group's customers, respectively, during the year ended 31 December 2021 and the subsequent period up to 9 March 2022, as follows:

Balances at 31 December 2020	Gross carrying amount *RMB'000*	Lifetime ECL (previously reported) (note (c)(ii) below) *RMB'000*	Lifetime ECL (revised) *RMB'000*	Previously reported ECL rate (note (c)(ii) below) *%*	Revised lifetime ECL rate *%*	Over-allowance for lifetime ECL *RMB'000*
Contract assets	80,193	2,230	1,897	2.78	2.36	333
Trade and bills receivables	146,375	26,994	9,583	18.44	6.55	17,411
Not yet due or current	37,977	1,082	696	2.85	1.83	386
Past due						
Within 1 month	4,910	546	210	11.12	4.28	336
1 to 3 months	7,282	961	736	13.20	10.11	225
3 to 6 months	5,432	845	278	15.56	5.11	567
6 to 9 months	16,888	2,888	568	17.10	3.36	2320
9 to 12 months	46,939	9,059	2,659	19.30	5.66	6,400
1 to 2 years	20,876	8,196	2,141	39.26	10.26	6,055
Over 2 years	6,071	3,417	2,295	56.28	37.81	1,122

There were over-allowance of approximately HK$333,000 and HK$17,411,00 for lifetime ECL on contract assets and trade and bills receivables at 31 December 2020 (see notes 21(a)(vi) and 22(b)), respectively, which were reversed during the year ended 31 December 2021.

(ii) A balance of approximately RMB2,577,000 was fully impaired in 2015 and fully written off against the allowance for ECLs during the year ended 31 December 2020.

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

(i) The matrix analysis of the Group's actual historic bad debt rates on the contract assets, trade and bills receivables as at 31 December 2014, 2015, 2016, 2017, 2018 and 2019, and the expected rates for lifetime ECLs on trade and bills receivables at 31 December 2021 and 2020 (as updated for subsequent changes in estimates) are as follows:

	Historical bad debt rates at 31 December						Average historical bad debt rates at 31 December		Estimated bad debt rates for lifetime ECL at 31 December	
	2014	2015	2016	2017	2018	2019	2014 to 2018	2014 to 2019	2020*	2021
Contract assets	0.00%	0.00%	0.18%	1.43%	1.65%	2.13%	0.65%	0.90%	2.36%	4.42%
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%	1.83%	2.85%
Past due:										
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	2.70%	3.74%	4.28%	6.04%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	3.70%	7.41%	10.11%	15.08%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	3.70%	5.21%	5.11%	16.96%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	5.01%	5.48%	3.36%	17.11%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	5.29%	6.69%	5.66%	19.59%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	16.41%	17.96%	10.26%	51.33%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	27.53%	33.48%	37.81%	86.22%
Trade receivables – Overall	3.60%	6.38%	9.32%	6.12%	7.32%	10.69%	6.55%	7.24%	6.55%	15.76%

* *ECL rates for 2020 were updated for subsequent changes in estimates as referred to note (b)(i).*

The increase in the ECL rates on contract assets and trade and bills receivables at 31 December 2021 was primarily attributable to drop in the expected PRC GDP growth rate for 2022, as adjusted for the future economic impacts caused by the surge in the positive cases of the Omicron variant of the COVID-19 pandemic and the spillover effects of Russia's military operations in Ukraine.

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

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(c) (Continued)

(ii) 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 rate	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(Note 21)*	**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:				
Net 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	**16.69%**	**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 rate*	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(Note 21)*	2.78%	80,193	2,230	77,963
Trade and bills receivables *(see below)*	18.44%	146,375	26,994	119,381
		226,568	29,224	197,344
Trade and bills receivables:				
Net 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

* *Updated estimates for ECL rates on contract assets and trade and bills receivables at 31 December 2020 are referred to note (b)(i).*

23. Deposits, Prepayments and Other Receivables

	2021 *RMB'000*	2020 *RMB'000*
Contract performance deposits *(note (b) below)*	**609**	598
Tender deposits *(note (c) below)*	**1,323**	807
Prepayments for purchases of raw materials *(note (d) below)*	**10,402**	6,130
Deposits paid for the acquisition of plant and machinery	**1,380**	195
Deposits paid for electricity and nature gas	**730**	530
Prepayments *(note (e) below)*	**607**	1,980
Land use rights *(note 16)*	**173**	173
Rental deposits	**273**	243
Others – individually insignificant	**510**	1,786
	16,007	12,442
Allowance for ECLs:		
– Contract performance deposits	**–**	–
– Deposits paid for acquisition of property, plant and equipment	**(110)**	(110)
	(110)	(110)
	15,897	12,332

Notes:

(a) All of the above deposits, prepayments and other receivables, net of the allowance for ECLs, if any, are expected to be recovered or recognised as expenses within one year or repayable on demand.

(b) When a contract is awarded by a customer to the Group, the Group is required to pay a contract performance deposit of approximately 10% of the contract sum as security for the Group's performance in accordance with the contract which is made between the Group and the customer. The contract performance deposits are refundable and will be refunded to the Group when the performance obligations promised in the contracts are completed by the Group. The contract performance deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement to the contract customers. At 31 December 2021, reversal of impairment of approximately RMBNil (2020: RMB213,000) and no provision for 12-month ECLs was recognised on these contract performance deposits during the year ended 31 December 2021 (2020: Nil).

(c) When the Group submits a bid in the tendering process, the Group is required to make a refundable tender deposit, which is specified on a tender by tender basis, to the prospective customer. The tender deposits will be refunded to the Group when the outcomes of the tenders are confirmed by the prospective customers. The tender deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement made by the Group to the prospective customers. As at 31 December 2021, all the tender deposits paid for tender bids can be fully recoverable and no provision for 12-month ECLs was recognised during the year ended 31 December 2021 (2020: Nil).

23. Deposits, Prepayments and Other Receivables (Continued)

Notes: (Continued)

(d) The prepayments for purchase of raw materials of approximately RMB10,402,000 (2020: RMB6,130,000) were paid to the independent third suppliers in accordance with the relevant purchase contracts under which the raw materials were not yet delivered to the Group at 31 December 2021. Subsequent to 31 December 2021 and up to the date of the approval of these consolidated financial statements, approximately RMB5,115,000 out of these prepayments have been applied to settle towards the purchase costs of the raw materials when the control of raw materials were transferred from the suppliers to the Group. The market prices of the raw materials after 31 December 2021 were generally higher than the purchases prices under the relevant purchase contracts for which the prepayments were made during the year. No provision for impairment was recognised on these prepayments for purchase of raw materials during the year ended 31 December 2021 (2020: Nil).

(e) Upon the early termination of the leases during the year ended 31 December 2021, prepayment of lease payments of RMB635,000 (2021: Nil) was derecognised and applied to the calculation of gain on lease termination which was credited to profit or loss for the year ended 31 December 2021, as disclosed above and in note 17(c).

24. Restricted Bank Deposits

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

25. Cash and Cash Equivalents

	2021 *RMB'000*	2020 *RMB'000*
Cash at banks	**55,269**	42,360
Time deposits	**–**	10,237
Cash in hand	**–**	2
	55,269	52,599
Denominated in:		
RMB	**36,480**	39,684
US$	**22**	4,885
HK$	**18,767**	8,030
Cash and cash equivalents	**55,269**	52,599

The cash at banks carried interest at market rates within the range from 0.30% to 0.35% (2020: the cash at banks and time deposits carried within the range from 0.30% to 1.76%) per annum for the year ended 31 December 2021. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within a tenure of 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

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

26. Trade and Bills Payables

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

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

	2021 *RMB'000*	2020 *RMB'000*
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 and bills payables are non-interest bearing and have a credit term ranging from one to two months after invoice date.

27. Accruals and Other Payables

	2021 *RMB'000*	2020 *RMB'000*
Accounts payable for acquisition of property, plant and equipment	**608**	792
Accrued installation costs	**14,430**	6,661
Interest payable	**451**	451
Education and construction levies	**1,260**	1,130
Salaries and bonuses payable	**635**	675
Value-added tax payable	**5,546**	4,563
Other payables and accruals	**4,056**	3,694
	26,986	17,966

The carrying amounts of accruals and other payables at 31 December 2021 approximate their fair values. All of the accruals and other payables are non-interest bearing, expected to be settled within one year or repayable on demand.

28. Lease Liabilities

	2021 *RMB'000*	2020 *RMB'000*
Maturity analysis – contractual undiscounted cash flows:		
Less than 1 year	**159**	883
1 to 2 years	**125**	771
2 to 5 years	**–**	95
Total undiscounted lease liabilities	**284**	1,749
Analysed for reporting purpose as:		
Current liabilities	**159**	883
Non-current liabilities	**125**	866
	284	1,749

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

29. Bank Borrowings

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

	2021 *RMB'000*	2020 *RMB'000*
Repayable within 1 year:		
Unsecured bank loans	**30,000**	30,000
Secured bank loans	**41,000**	41,000
Guaranteed bank loans	**10,000**	–
	81,000	71,000

At 31 December 2021, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 3.80% to 4.80% (2020: 4.50% to 4.80%) per annum.

29. Bank Borrowings (Continued)

Notes:

(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 *RMB'000*	2020 *RMB'000*
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 (2020: Nil) was jointly guaranteed by an independent financial institution, Mr. Shen and his spouse, Ms. Zhang. Mr. Shen is an executive director of the Company.

(c) At 31 December 2021, the Group had bank 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).

30. Income Tax in the Consolidated Statement of Financial Position

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

	2021 *RMB'000*	2020 *RMB'000*
Current tax payable:		
At the beginning of the year	1,742	1,817
Provision for the year	3,026	3,290
Tax paid	(2,397)	(3,365)
Tax payable	2,371	1,742

30. Income Tax in the Consolidated Statement of Financial Position (Continued)

(b) Deferred tax assets recognised:

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

	Provision for asset impairment *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At 1 January 2020	2,450	289	2,739
Credited to profit or loss	2,320	–	2,320
At 31 December 2020 and 1 January 2020	**4,770**	**289**	**5,059**
Charged to profit or loss	**(245)**	**–**	**(245)**
At 31 December 2021	**4,525**	**289**	**4,814**

(c) Deferred tax assets and liabilities not recognised:

At 31 December 2021 and 2020, potential deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have not been provided as the Group can control the dividend policy of these subsidiaries in the PRC and these PRC subsidiaries of the Company have no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

As at 31 December 2021, the undistributed profits of JiaChen Floor, which is the key operating subsidiary of the Group in the PRC were approximately RMB130,859,000 (2020: RMB103,525,000) for which the potential deferred tax liabilities, in respect of withholding tax on dividends to be distributed by JiaChen Floor, of approximately RMB6,543,000 (2020: RMB5,176,000) have not been recognised. No deferred tax liability has been recognised in respect of these temporary differences because the Group can control the dividend policy of JiaChen Floor and there is no plan of declaring dividends by JiaChen Floor and accordingly, the Group can control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Apart from the above, there were no other material unrecognised deferred tax assets and liabilities at 31 December 2021 and 2020.

31. Share Capital and Reserves

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

(a) Share Capital

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

* rounded to less than HK$1,000

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.

31. Share Capital and Reserves (Continued)

(a) Share Capital (Continued)

At 1 January 2020, 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 HK$0.01 each at an offer price of HK$0.53 per offer share in the Global Offering, and 377,619,900, 231,371,875, 131,473,224 and 9,524,871 new shares of HK$0.01 each of the Company were issued to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen), Yilong Investment (wholly-owned by Mr. Shen MH) and Crystal Breeze Ventures (wholly-owned by Ms. Yan), respectively, by way of capitalisation of an aggregate amount of RMB6,642,000 (equivalent to HK$7,499,898.70) out of the share premium account of the Company, prior to the Listing on 17 January 2020.

Since 16 January 2020, 31 December 2020 and at 31 December 2021, 37.76%, 23.14% and 13.15% of the issued capital of the Company have been owned by Jiachen Investment, Xinchen Investment and Yilong Investment, respectively.

(b) Capital reserve of the Group

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

(c) Statutory reserve of the Group

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

31. Share Capital and Reserves (Continued)

(d) Statement of changes in equity of the Company

	Share capital		Reserves					
			Share premium	Capital reserve	Contributed surplus	Accumulated losses	Subtotal	Total
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (a))	*(Note (a))*	*(Note (i))*	*(Note (ii))*	*(Note (iii))*			
At 1 January 2020	–	–	61,927	11,155	62,183	(727)	134,538	134,538
Issuance of new shares under capitalisation issue *(note (a))*	7,500	6,642	(6,642)	–	–	–	(6,642)	–
Issuance of new shares under the Global Offering *(note (a))*	2,500	2,214	115,128	–	–	–	115,128	117,342
Shares issuing costs *(note (d))*	–	–	(16,164)	–	–	–	(16,164)	(16,164)
Loss for the year	–	–	–	–	–	(8,606)	(8,606)	(8,606)
At 31 December 2020 and 1 January 2021	**10,000**	**8,856**	**154,249**	**11,155**	**62,183**	**(9,333)**	**218,254**	**227,110**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(5,829)**	**(5,829)**	**(5,829)**
At 31 December 2021	**10,000**	**8,856**	**154,249**	**11,155**	**62,183**	**(15,162)**	**212,425**	**221,281**

(i) Share premium of the Company

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

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

31. Share Capital and Reserves (Continued)

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

(i) Share premium of the Company (Continued)

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

(ii) Capital reserve of the Company

At 31 December 2020 and 2021, the capital reserve of the Company represented the gain arising from the transfer of a total of 97.7427% equity interests of JiaChen Floor from Mr. Shen, Mrs. Shen and Mr. Shen MH to the Group under the first equity swap completed on 23 January 2018.

(iii) Contributed surplus of the Company

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

31. Share Capital and Reserves (Continued)

(e) Distributable reserves

At 31 December 2021, the distributable reserves of the Company amounted to approximately RMB212,425,000 (2020: RMB218,254,000).

During the two years ended 31 December 2021 and 2020, no dividend was declared and paid to the shareholders of the Company.

(f) Share option scheme

The Company has adopted a share option scheme pursuant to a resolution passed by the shareholders of the Company on 19 December 2019 for the purpose of granting share options to eligible participants as incentives or rewards for their contribution to the Company. The share option scheme shall be valid and effective for a period of ten years. No option had been granted or agreed to be granted by the Company under the share option scheme since its inception, at 31 December 2020 and 2021, and up to the date of approval of the consolidated financial statements.

32. Non-controlling Interests and Material Partially-owned Subsidiaries

At 31 December 2021, a total of 1% (2020: 1%) and 0.4648% (2020: 0.4648%) of the registered and paid-up capital of Changzhou Jintai and JiaChen Floor are held by collectively the Company's substantial shareholders, being Mr. Shen, Mrs. Shen and Mr. Shen MH, respectively.

Changzhou Jintai, which is an indirect 99% – owned subsidiary of the Company and holds 46.38% of the registered and paid-up capital of JiaChen Floor at 31 December 2021 and 2020, has no material transactions and contributions to the operating results, cash flows, assets and liabilities of the Group for the two years ended 31 December 2021 and 2020.

JiaChen Floor, being an indirect 99.5352% – owned subsidiary of the Company at 31 December 2021 and 2020, is the key operating entity of the Group during the two years ended 31 December 2021 and 2020. Since the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of financial position of the Group for the two years ended 31 December 2021 and 2020 were mainly represented by that of JiaChen Floor, the financial statements of JiaChen Floor for the two years ended 31 December 2020 and 2019 are not separately disclosed.

33. Pledge of Assets

As at 31 December 2021, the following assets of the Group were pledged for the Group's bank borrowings:

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

34. Commitments

(a) Operating lease commitments

The Group as lessee

At 31 December 2021, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its staff quarter falling due as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within one year	**815**	116

(b) Capital commitments

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	**36,241**	15,618

35. Related Party Transactions

During the year ended 31 December 2021 and up to the date of this report, the directors of the Company are of the view that the following entities and persons are related parties to the Group:

(a) Relationship

Name of the related parties	Relationship with the Company
Jiachen Investment Limited ("**Jiachen Investment**")	Being wholly owned by Mr. Shen, has directly held 37.76% of the issued capital of the Company at 31 December 2021 and at the date of approval of the consolidated financial statements.
Xinchen Investment Limited ("**Xinchen Investment**")	Being wholly-owned by Mrs. Shen, has directly held 23.14% of the issued capital of the Company at 31 December 2021 and at the date of approval of the consolidated financial statements.
Yilong Investment Limited ("**Yilong Investment**")	Being wholly-owned by Mr. Shen MH, has directly held 13.15% of the issued capital of the Company at 31 December 2021 and at the date of approval of the consolidated financial statements.
Mr. Shen	Sole beneficial owner of Jiachen Investment and an executive director of the Company.
Mrs. Shen or Ms. Zhang	Sole beneficial owner of Xinchen Investment and a former executive director of the Company, spouse of Mr. Shen.
Mr. Shen MH	Sole beneficial owner of Yilong Investment and an executive director of the Company, son of Mr. Shen and Mrs. Shen.
Mr. Chen	General manager of JiaChen Floor throughout the years ended 31 December 2021 and 2020, chief executive officer and executive director of the Company since 19 June 2019.
Ms. Liu	An executive director of the Company since 2 July 2020, spouse of Mr. Shen MH.

35. Related Party Transactions (Continued)

(b) Amount due from a shareholder and director

			Maximum outstanding balance during the year	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Shen	**1,331**	–	**1,331**	–

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

(c) Key management personnel remuneration

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

	2021	2020
	RMB'000	*RMB'000*
Director's fee	**273**	294
Salaries and other emoluments	**1,550**	1,420
Discretionary bonuses	**81**	62
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 9).

36. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

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

	Financing activities		
	Bank borrowings *RMB'000* *(Note 29)*	**Lease liabilities** *RMB'000* *(Note 28)*	**Total** *RMB'000*
At 1 January 2020	113,368	2,890	116,258
Changes from financing cash flows:			
Proceeds from new borrowings	129,000	–	129,000
Repayment of borrowings	(171,368)	–	(171,368)
Payment of lease liabilities	–	(1,325)	(1,325)
Interest paid	(5,653)	(106)	(5,759)
Total changes from financing cash flows	(48,021)	(1,431)	(49,452)
Other non-cash changes:			
Interest expenses	4,772	106	4,878
Addition of lease liabilities	–	184	184
Transfer from accrued interest	881	–	881
Total other non-cash changes	5,653	290	5,943
At 31 December 2020 and 1 January 2021	**71,000**	**1,749**	**72,749**
Changes from financing cash flows:			
Proceeds from new borrowings	**81,000**	**–**	**81,000**
Repayment of borrowings	**(71,000)**	**–**	**(71,000)**
Payment of lease liabilities	**–**	**(724)**	**(724)**
Interest paid	**(3,313)**	**(77)**	**(3,390)**
Total changes from financing cash flows	**6,687**	**(801)**	**5,886**
Other non-cash changes:			
Interest expenses	**3,313**	**77**	**3,390**
Addition of lease liabilities	**–**	**464**	**464**
Lease termination	**–**	**(1,205)**	**(1,205)**
Total other non-cash changes	**3,313**	**(664)**	**2,649**
At 31 December 2021	**81,000**	**284**	**81,284**

37. Financial Instruments by Category

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

	2021 *RMB'000*	2020 *RMB'000*
Financial assets at amortised costs:		
Trade and bills receivables	**141,768**	119,381
Amount due from a shareholder and director	**1,331**	–
Deposits and other receivables	**4,714**	4,049
Restricted bank deposits and cash and cash equivalents	**58,030**	57,215
Total financial assets	**205,843**	180,645
Financial liabilities at amortised costs:		
Trade and bills payables	**17,980**	27,797
Accruals and other payables	**26,986**	17,966
Lease liabilities	**284**	1,749
Bank borrowings	**81,000**	71,000
Total financial liabilities	**126,250**	118,512

38. Financial Risk Management and Fair Values

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

(a) Credit risk

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

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

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

38. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

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

In respect of contract assets and trade and bills receivables, the Group's exposures to credit risk is influenced mainly by the individual characteristics of each customer. Contract assets have substantially the same risk characteristics as the trade and bills receivables for the same types of the contracts. The Group's contract customers are mainly the famous and large property developers and large state-owned enterprises with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the customers and the Group considered that there has not been a significant change in credit quality of the customers. The default risk of the industry and country in which customers operate also has an influence on credit risk.

At 31 December 2021, 5% (2020: 9%) and 19% (2020: 18%) of the combined total of contract assets and trade and bills receivables were due from the Group's largest debtor and top five debtors, respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 2020. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

38. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Maximum exposure and year-end staging as at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets *(Note 22(c))*	–	–	–	79,099	79,099
Trade and bills receivables *(Note 22(c))*	–	–	–	141,768	141,768
Financial assets included in deposits, prepayments and other receivables	4,714	–	–	–	4,714
Restricted bank deposits and cash and cash equivalents	58,030	–	–	–	58,030
	62,744	–	–	220,867	283,611

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

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

38. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

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

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

	As at 31 December 2021					
	Repayable on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	17,980	–	–	–	17,980	17,980
Accruals and other payables	26,986	–	–	–	26,986	26,986
Lease liabilities	171	130	–	–	301	284
Bank borrowings	82,897	–	–	–	82,897	81,000
	128,034	130	–	–	128,164	126,250

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

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

38. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

	As at 31 December			
	2021		2020	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Lease liabilities *(Note 28)*	**4.81%**	**284**	4.90%–5.44%	1,749
Bank borrowings *(Note 29)*	**3.80%–4.80%**	**81,000**	4.50%–4.80%	71,000
Less: Restricted bank deposits *(Note 24)*	**0.30%–2.10%**	**(2,761)**	0.30%–2.25%	(4,616)
Cash at banks *(Note 25)*	**0.30%–0.35%**	**(55,269)**	0.30%–0.35%	(42,360)
Time deposits *(Note 25)*	**–**	**–**	1.76%	(10,237)
Total net interest-bearing borrowings		**23,254**		15,536

(ii) Sensitivity analysis

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB198,000 for the year ended 31 December 2021 (2020: RMB156,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amounts of interest-bearing borrowings outstanding at the end of the reporting period being outstanding for the whole reporting period. The analysis is performed on the same basis for 2020.

38. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)	
	2021	2020
	RMB'000	*RMB'000*
Exposure to US$		
Trade and other receivables	**5,933**	5,311
Cash and bank balances	**22**	4,885
Exposure to HK$		
Cash and bank balances	**18,767**	8,030
	24,722	18,226

(ii) Sensitivity analysis

As at 31 December 2021, it is estimated that a general increase/decrease of 5% in foreign exchange rate, with all variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB1,049,000 for the year ended 31 December 2021 (2020: RMB769,000).

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis has been performed on the same basis for 2020.

38. Financial Risk Management and Fair Values (Continued)

(e) Concentration risk

During the year ended 31 December 2021, the contributions of Group's largest customer and top five customers to the Group's revenue are as follows:

	Top Five Customers %	Customer Largest %
For the years ended 31 December:		
– 2021	19.69	7.04
– 2020	26.66	8.04

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

(f) Capital risk management

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

The capital structure of the Group consists of equity, lease liabilities and bank borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and restricted bank deposits. The debt-to-equity ratio as at 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Lease liabilities	**284**	1,749
Bank borrowings	**81,000**	71,000
	81,284	72,749
Less: Cash and cash equivalents and restricted bank deposits	**(58,030)**	(57,215)
Net debt	**23,254**	15,534
Total equity	**296,355**	271,671
Debt-to-equity ratio	**7.85%**	5.72%

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

38. Financial Risk Management and Fair Values (Continued)

(g) Fair values measurement

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost approximate their respective fair values as at 31 December 2021 and 2020.

39. Company Level Statement of Financial Position

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Interests in subsidiaries	2	**215,040**	215,040
Current assets			
Amount due from subsidiaries		**4,833**	4,855
Amount due from shareholders		**–***	–*
Cash and cash equivalents		**2,414**	8,030
		7,247	12,885
Total assets		**222,287**	227,925
Current liabilities			
Accrual and other payables		**1,006**	815
Net current assets		**6,241**	12,070
Net assets		**221,281**	227,110
Equity			
Issued capital	31(a) and (d)	**8,856**	8,856*
Reserves	31(d)	**212,425**	218,254
Total equity		**221,281**	227,110

* Figures rounded to less than RMB1,000.

40. Events After the Reporting Period

Saved as disclosed in Note 19(b) to consolidated financial statements, there was no other significant event subsequent to 31 December 2021 and up to the date of approval of the consolidated financial statements.

41. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 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

The Group in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**274,920**	182,178	270,859	248,785	216,360
Gross profit	**62,463**	37,756	68,317	60,166	53,744
Profit before taxation	**27,955**	1,758	23,680	29,983	23,783
Income tax	**(3,271)**	(970)	(4,389)	(5,132)	(3,125)
Profit and total comprehensive income for the year	**24,684**	788	19,291	24,851	20,658
Attributable to:					
Owners of the Company	**24,542**	744	19,100	24,605	20,451
Non-controlling interests	**142**	44	191	246	207
	24,684	788	19,291	24,851	20,658
ASSETS AND LIABILITIES					
Total assets	**428,056**	395,795	359,481	319,841	289,437
Total liabilities	**(131,701)**	(124,124)	(189,776)	(169,427)	(165,825)
Non-controlling interests	**(1,300)**	(1,158)	(1,680)	(1,489)	(1,237)
Equity attributable to owners of the Company	**295,055**	270,513	168,025	148,925	122,375