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## **JiaChen Holding Group Limited**

**佳辰控股集團有限公司**

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

**(Stock Code: 1937)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of JiaChen Holding Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with comparative figures for the same corresponding period in 2020 as follows:

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

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>125,710</b>	67,202
<b>Cost of sales</b>		<u><b>(96,372)</b></u>	<u>(53,870)</u>
<b>Gross profit</b>		<b>29,338</b>	13,332
Other revenue and other net income	5	<b>293</b>	13,916
Selling and distribution costs		<b>(3,490)</b>	(2,341)
Administrative expenses		<u><b>(10,480)</b></u>	<u>(14,312)</u>
<b>Profit from operations</b>		<b>15,661</b>	10,595
Finance costs	6	<u><b>(1,767)</b></u>	<u>(2,680)</u>
<b>Profit before taxation</b>	7	<b>13,894</b>	7,915
Income tax	8	<u><b>(1,509)</b></u>	<u>(1,838)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>12,385</b></u>	<u>6,077</u>
<b>Attributable to:</b>			
Owners of the Company		<b>12,319</b>	6,017
Non-controlling interests		<u><b>66</b></u>	<u>60</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>12,385</b></u>	<u>6,077</u>
		<i>RMB cent</i>	<i>RMB cent</i>
<b>Earnings per share</b>			
Basic and diluted	10	<u><b>1.23</b></u>	<u>0.62</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		27,286	29,394
Land use rights		7,867	7,867
Right-of-use assets		525	531
Other intangible assets		71	94
Long-term deposits and prepayments		36,124	55,000
Deferred tax assets		5,059	5,059
		76,932	97,945
<b>Current assets</b>			
Inventories		44,197	30,959
Contract assets	11	79,406	77,963
Trade and bills receivables	12	76,799	119,381
Deposits, prepayments and other receivables		18,473	12,332
Restricted bank deposits		2,455	4,616
Cash and cash equivalents		113,625	52,599
		334,955	297,850
<b>Total assets</b>		411,887	395,795
<b>Current liabilities</b>			
Trade and bills payables	13	29,463	27,797
Contract liabilities	14	5,072	3,870
Accruals and other payables		18,845	17,966
Lease liabilities		806	883
Bank borrowings		71,000	71,000
Tax payable		1,755	1,742
		126,941	123,258
<b>Net current assets</b>		208,014	174,592
<b>Total assets less current liabilities</b>		284,946	272,537
<b>Non-current liabilities</b>			
Lease liabilities		890	866
<b>Net assets</b>		284,056	271,671

	<i>Notes</i>	<b>At 30 June 2021 RMB'000 (Unaudited)</b>	<b>At 31 December 2020 RMB'000 (Audited)</b>
<b>Equity</b>			
Share capital	15	8,856	8,856
Reserves		<u>273,976</u>	<u>261,657</u>
<b>Equity attributable to owners of the Company</b>		<b>282,832</b>	270,513
Non-controlling interests		<u>1,224</u>	<u>1,158</u>
<b>Total equity</b>		<b><u><u>284,056</u></u></b>	<b><u><u>271,671</u></u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
<b>At 1 January 2020 (Audited)</b>	–	61,927	1,568	10,133	94,397	168,025	1,680	169,705
Profit and total comprehensive income for the period	–	–	–	–	6,017	6,017	60	6,077
Issuance of shares upon listing	2,220	115,207	–	–	–	117,427	–	117,427
Issuance cost	–	(15,900)	–	–	–	(15,900)	–	(15,900)
Capitalisation issue	6,642	(6,642)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	1,031	(1,031)	–	–	–
<b>At 30 June 2020 (Unaudited)</b>	<u>8,862</u>	<u>154,592</u>	<u>1,568</u>	<u>11,164</u>	<u>99,383</u>	<u>275,569</u>	<u>1,740</u>	<u>277,309</u>
<b>At 1 January 2021 (Audited)</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>11,068</b>	<b>94,763</b>	<b>270,513</b>	<b>1,158</b>	<b>271,671</b>
Profit and total comprehensive income for the period	–	–	–	–	12,319	12,319	66	12,385
Transfer to statutory reserve	–	–	–	1,423	(1,423)	–	–	–
<b>At 30 June 2021 (Unaudited)</b>	<u>8,856</u>	<u>154,249</u>	<u>1,577</u>	<u>12,491</u>	<u>105,659</u>	<u>282,832</u>	<u>1,224</u>	<u>284,056</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net cash generated from operating activities</b>	<b>42,562</b>	26,466
<b>Investing activities</b>		
Payment for acquisitions of property, plant and equipment	(762)	(15,000)
Proceeds from disposal of property, plant and equipment	167	5
Refund of deposit paid for acquisition of land use rights	40,000	–
Payment of deposit for acquisition of land use rights	(21,124)	–
Withdrawal of restricted bank deposits	2,161	3,470
Interest received	174	353
<b>Net cash generated from/(used in) investing activities</b>	<b>20,616</b>	(11,172)
<b>Financing activities</b>		
Proceeds from issuance of shares	–	110,257
Payment of capitalized expenses	–	(8,730)
Proceeds from bank borrowings	–	99,500
Repayment of bank borrowings	–	(128,864)
Repayment of lease liabilities	(385)	(410)
Interest paid	(1,767)	(2,680)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,152)</b>	69,073
<b>Net increase in cash and cash equivalents</b>	<b>61,026</b>	84,367
<b>Cash and cash equivalents at beginning of the period</b>	<b>52,599</b>	16,414
<b>Cash and cash equivalents at end of the period</b>	<b>113,625</b>	100,781

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

### 1. GENERAL INFORMATION

JiaChen Holding Group Limited (the “**Company**”) was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 January 2020. The address of the Company’s registered office is Windward 3, Regatta Office Park, P.O. 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 related installation services in the PRC. During the six months ended 30 June 2021, the principal business was carried out through JiaChen Floor Changzhou Co., Ltd. (“**JiaChen Floor**”), which is an indirect non wholly-owned subsidiary of the Company incorporated in the PRC.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s condensed consolidated interim financial information for the six months ended 30 June 2021 (the “**Interim Financial Information**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) including compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the annual report of the Group for the year ended 31 December 2020.

The Interim Financial Information is unaudited but has been reviewed by the audit committee of the Company.

### 3. OPERATING SEGMENT INFORMATION

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

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

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

For the purpose of assessing segment performance and 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, contract liabilities, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.
- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below:

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

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Reportable segment revenue from external customers	<b>107,787</b>	54,166	<b>17,923</b>	13,036	<b>125,710</b>	67,202
Reportable segment gross profit	<b>24,612</b>	10,547	<b>4,726</b>	2,785	<b>29,338</b>	13,332
Reportable segment results	<b>12,938</b>	11,624	<b>2,899</b>	2,984	<b>15,837</b>	14,608

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

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Reportable segment assets	<b>235,132</b>	273,918	<b>57,638</b>	61,266	<b>292,770</b>	335,184
Reportable segment liabilities	<b>110,223</b>	111,275	<b>5,775</b>	11,107	<b>115,998</b>	122,382

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

	For the six months ended	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Reportable segment total revenue and consolidated revenue	<b>125,710</b>	67,202
<b>Profit or loss</b>		
Reportable segment results	<b>15,837</b>	14,608
Unallocated other revenue	<b>174</b>	3,478
Unallocated head office and corporate expenses	<b>(350)</b>	(7,491)
Unallocated finance costs	<b>(1,767)</b>	(2,680)
Consolidated profit before taxation	<b>13,894</b>	7,915

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Assets</b>		
Reportable segment assets	292,770	335,184
Unallocated head office and corporate assets	119,117	60,611
	<u>411,887</u>	<u>395,795</u>
<b>Liabilities</b>		
Reportable segment liabilities	115,998	122,382
Unallocated head office and corporate liabilities	11,833	1,742
	<u>127,831</u>	<u>124,124</u>

(d) **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:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PRC	109,352	58,158
Hong Kong	4,338	1,055
Other countries ( <i>Note</i> )	12,020	7,989
	<u>125,710</u>	<u>67,202</u>

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

#### 4. REVENUE

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers by types of performance:		
– Sales of access flooring plates	<b>119,965</b>	64,180
– Provision of installation services	<b>5,745</b>	3,022
	<b>125,710</b>	67,202
Analysis of revenue by types of contracts:		
– Sales of access flooring plates and provision of installation services	<b>102,513</b>	54,743
– Sales of access flooring plates	<b>22,731</b>	12,423
– Provision of installation services	<b>466</b>	36
	<b>125,710</b>	67,202

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

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue recognised over time:		
– Sales of access flooring plates	<b>97,234</b>	51,757
– Provision of installation services	<b>5,745</b>	3,022
	<b>102,979</b>	54,779
Revenue recognised at a point in time		
– Sales of access flooring plates	<b>22,731</b>	12,423
	<b>125,710</b>	67,202

## 5. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Other revenue</b>		
Bank interest income	<u>174</u>	<u>491</u>
<b>Other net income</b>		
Government subsidies	149	9,474
Scrap sales	700	256
Net loss on disposal of property, plant and equipment	(419)	(4)
Exchange (loss)/gain, net	(311)	3,590
Sundry income	<u>-</u>	<u>109</u>
	<u>119</u>	<u>13,425</u>
	<u>293</u>	<u>13,916</u>

## 6. FINANCE COSTS

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,726	2,625
Unwinding of finance costs on lease liabilities	<u>41</u>	<u>55</u>
	<u>1,767</u>	<u>2,680</u>

## 7. PROFIT BEFORE TAXATION

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Contract costs of goods sold and services rendered ( <i>Note (a)</i> )	<b>96,372</b>	53,870
Depreciation of property, plant and equipment	<b>2,284</b>	2,248
Depreciation of right-of-use assets	<b>410</b>	448
Amortisation of other intangible assets	<b>23</b>	23
Amortisation of land use rights	<b>86</b>	88
Net loss on disposal of property, plant and equipment	<b>419</b>	4
Listing expenses	–	7,289
Operating lease charges in respect of properties and land use rights	<b>144</b>	211
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	<b>5,854</b>	5,426
– Contributions to defined contribution retirement plans	<b>1,251</b>	846
Research and development costs ( <i>Note (b)</i> )	<b>5,325</b>	2,450

*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 RMB76,070,000 (six months ended 30 June 2020: RMB39,791,000), staff costs of approximately RMB2,523,000 (six months ended 30 June 2020: RMB2,374,000), installation costs of approximately RMB5,403,000 (six months ended 30 June 2020: RMB2,976,000), transportation costs of approximately RMB6,174,000 (six months ended 30 June 2020: RMB3,401,000), depreciation of property, plant and equipment of approximately RMB1,829,000 (six months ended 30 June 2020: RMB1,896,000) and depreciation of right-of-use assets of approximately RMB324,000 (six months ended 30 June 2020: RMB324,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB4,132,000 (six months ended 30 June 2020: RMB1,233,000), staff cost of approximately RMB790,000 (six months ended 30 June 2020: RMB672,000) and depreciation of property, plant and equipment of approximately RMB173,000 (six months ended 30 June 2020: RMB186,000), of which, their respective total amounts were disclosed above for each type of these expenses.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
PRC Corporation Income Tax		
– Charge for the period	<b>1,509</b>	<b>1,838</b>

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 Group had no taxable income derived in Hong Kong during the six months ended 30 June 2021 and 2020.

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

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. However, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 10. EARNINGS PER SHARE

The Company completed the listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including 10,130 ordinary shares in issue at 31 December 2019, an aggregate of 250,000,000 new ordinary shares issued in 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 six months ended 30 June 2021 and 2020 is based on the following data:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings for the purpose of basic earnings per share</b>		
Profit for the period attributable to owners of the Company	<b>12,319</b>	6,017
	<b>'000</b>	'000
<b>Number of ordinary shares</b>		
Number of ordinary shares for the purpose of basic earnings per share at the beginning of the reporting period	<b>1,000,000</b>	750,000
Effect of shares issued under global offering	–	227,282
Weighted average number of shares for the purpose of basic earnings per share	<b>1,000,000</b>	977,282

Basic earnings per share for the six months ended 30 June 2021 amounted to RMB1.23 cent (six months ended 30 June 2020: RMB0.62 cent) 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 shares of the Company completed on 16 January 2020, as if it had been effective 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 periods.

## 11. CONTRACT ASSETS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Rights to consideration for obligations performed on contracts in progress	67,803	63,458
Retention monies receivable on completed contracts	<u>13,833</u>	<u>16,735</u>
	<b>81,636</b>	80,193
Less: Allowance for lifetime expected credit losses	<u>(2,230)</u>	<u>(2,230)</u>
	<b><u>79,406</u></b>	<b><u>77,963</u></b>

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

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 month	18,430	15,307
1 to 3 months	20,473	21,009
3 to 6 months	8,398	9,575
6 to 9 months	19,865	7,805
9 to 12 months	3,520	1,060
1 – 2 years	8,743	25,217
Over 2 years	<u>2,207</u>	<u>220</u>
	<b><u>81,636</u></b>	<b><u>80,193</u></b>

## 12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	97,774	142,583
Bills receivables	<u>6,019</u>	<u>3,792</u>
	<b>103,793</b>	146,375
Less: Allowance for lifetime expected credit losses	<u>(26,994)</u>	<u>(26,994)</u>
	<b><u>76,799</u></b>	<b><u>119,381</u></b>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 month	28,510	18,598
1 to 3 months	12,532	12,064
3 to 6 months	14,820	14,707
6 to 9 months	6,906	5,776
9 to 12 months	4,166	3,013
1 – 2 years	1,411	59,130
Over 2 years	<u>8,454</u>	<u>6,093</u>
	<b><u>76,799</u></b>	<b><u>119,381</u></b>

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

### 13. TRADE AND BILLS PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payable	29,463	26,656
Bills payables	—	1,141
	<u>29,463</u>	<u>27,797</u>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 months	28,071	22,031
1 to 3 months	1,156	2,591
3 to 6 months	160	2,811
Over 6 months	76	364
	<u>29,463</u>	<u>27,797</u>

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

### 14. CONTRACT LIABILITIES

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

The movements in contract liabilities are set out below:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
At the beginning of the reporting period	3,870	2,186
Advance considerations received from customers	2,244	2,269
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>(1,042)</u>	<u>(585)</u>
At the end of the reporting period	<u>5,072</u>	<u>3,870</u>

## 15. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2021 '000 (Unaudited)	As at 31 December 2020 '000 (Audited)	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>50,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>10,000</u>

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

	For the six months ended 30 June 2021		For the twelve months ended 31 December 2020	
	Number of shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value HK\$'000 (Audited)
Balance at the beginning of the reporting period	1,000,000	10,000	10	—*
Issuance of new shares under capitalisation issue	—	—	749,990	7,500
Issuance of new shares under global offering	—	—	250,000	2,500
	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>

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

## 16. MATERIAL RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries and other emoluments	565	542
Post-employment benefits	<u>54</u>	<u>54</u>
	<u>619</u>	<u>596</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review and Prospect

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

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

The total revenue of the Group for the six months ended 30 June 2021 increased by approximately 87.1% to RMB125.7 million as compared with that of approximately RMB67.2 million for the corresponding six months in 2020. Such increase was resulted from the relaxation of the control measures to combat the spread of the coronavirus disease ("COVID-19") pandemic, which has led to the increase in the momentum of the economic activities in the domestic market of 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 RMB6.1 million for the six months ended 30 June 2020 to approximately RMB12.4 million for the six month ended 30 June 2021.

The National Bureau of Statistic of the PRC recently announced that China’s gross domestic product (the “GDP”) grew by 7.9 per cent in the second quarter of 2021 as compared to that of the second quarter in 2020, while in the first half of 2021, it grew by 12.7 per cent year-on-year. In addition, the industrial production grew by 15.9 per cent in the first half of the year 2021 as compared to the corresponding period in 2020. These results have indicated a remarkable turnaround from the first half of 2020, when the economy suffered a dramatic collapse as a result of the COVID-19 pandemic. Generally, it is believed that a steady recovery of China’s economy in the second half of 2021 will be sustained with the production and demand picking up, employment and prices remaining stable, new driving forces thriving fast, quality and efficiency enhancing, market expectations improving and major macro indicators staying within reasonable range.

Although the year 2021 continues to be challenging, economic recovery from the COVID-19 pandemic is progressing at a slow pace. While some countries are showing signs of recovery, others are still experiencing spikes of the COVID-19 pandemic and remain locked down. 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.

### Sales Analysis

The Group posted a consolidated revenue of approximately RMB125.7 million for the six months ended 30 June 2021, representing an increase of approximately RMB58.5 million or 87.1% as compared to the six months ended 30 June 2020. The increase in revenue was primarily driven by the increase in sales revenue generated from sales of steel access flooring products.

Details of the Group’s revenue by product are as follows:

	For the six months ended			
	2021		2020	
	RMB’000	%	RMB’000	%
Steel access flooring products	107,787	85.7	54,166	80.6
Calcium-sulfate access flooring products	17,923	14.3	13,036	19.4
<b>Total</b>	<b>125,710</b>	<b>100.0</b>	<b>67,202</b>	<b>100.0</b>

For the six months ended 30 June 2021, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 85.7% of the total revenue. Revenue derived from sales of steel access flooring products increased by 99.0% from approximately RMB54.2 million for the six months ended 30 June 2020 to approximately RMB107.8 million for the six months ended 30 June 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 in the first half of 2021.

Revenue derived from sales of calcium-sulfate access flooring products increased by 37.5% from approximately RMB13.0 million for the six months ended 30 June 2020 to approximately RMB17.9 million for the six months ended 30 June 2021. This is mainly attributable to the increase in sales volume resulting from the relaxation of the control measures as mentioned above.

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

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>
Steel access flooring products	<b>0.82</b>	<b>131.5</b>	0.43	125.9
Calcium-sulfate access flooring products	<b>0.09</b>	<b>199.1</b>	0.08	163.8
<b>Total</b>	<b><u>0.91</u></b>		<b><u>0.51</u></b>	

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:

	<b>For the six months ended</b>			
	<b>30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	<b>109,352</b>	<b>87.0</b>	58,158	86.5
Hong Kong	<b>4,338</b>	<b>3.4</b>	1,055	1.6
Overseas	<b>12,020</b>	<b>9.6</b>	7,989	11.9
<b>Total</b>	<b>125,710</b>	<b>100.0</b>	67,202	100.0

For both of the six months ended 30 June 2021 and 2020, the Group's products were mainly sold in the PRC and to a lesser extent exported to overseas markets such as Thailand, Dubai, Taiwan and Singapore.

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

	<b>For the six months ended</b>			
	<b>30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Gross profit</b>	<b>Gross profit margin</b>	<b>Gross profit</b>	<b>Gross profit margin</b>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Steel access flooring products	<b>24,612</b>	<b>22.8</b>	10,547	19.5
Calcium-sulfate access flooring products	<b>4,726</b>	<b>26.4</b>	2,785	21.4
<b>Total</b>	<b>29,338</b>	<b>23.3</b>	13,332	19.8

The gross profit from steel access flooring products accounted for majority of the gross profit of the Group for both of the six months ended 30 June 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 six months ended 30 June 2021 by about 3.3 percentage points over that of 2020 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 six months ended 30 June 2021 compared to that of 2020 was mainly due to the decrease in costs of raw materials and the increase in average unit selling price.

## **Operating Costs and Expenses**

Selling and distribution expenses increased by approximately RMB1.2 million, representing a 49.1% increase to approximately RMB3.5 million for the six months ended 30 June 2021 from approximately RMB2.3 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in courier and sundry expenses.

Administrative expenses decreased by approximately RMB3.8 million, representing a 26.8% decrease to approximately RMB10.5 million for the six months ended 30 June 2021 from approximately RMB14.3 million for the six months ended 30 June 2020. The reduction was mainly attributable to the decrease in listing expenses.

Finance costs decreased by approximately RMB0.9 million to approximately RMB1.8 million for the six months ended 30 June 2021 from approximately RMB2.7 million for the six months ended 30 June 2020. The decrease was mainly due to the repayment of bank borrowings during the year ended 31 December 2020.

## **Operating Results**

Profit before taxation increased by 75.5% from approximately RMB7.9 million for the six months ended 30 June 2020 to approximately RMB13.9 million for the six months ended 30 June 2021. The increase was mitigated by the net offsetting effect of the reduction of approximately RMB9.3 million in government subsidies and the reduction of approximately RMB7.3 million in listing expenses during the six months ended 30 June 2021 as well as the reasons discussed above.

## **Capital Structure, Liquidity and Financial Resources**

There has been no changes in the capital structure of the Group since the listing of the Company's shares (the "Shares") on the Main Board of the Stock Exchange on 17 January 2020. The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and the net proceeds from the global offering. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 30 June 2021, the Group held total assets of approximately RMB411.9 million (31 December 2020: approximately RMB395.8 million), including cash and cash equivalents of approximately RMB113.6 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 30 June 2021, the Group had total liabilities of approximately RMB127.8 million (31 December 2020: RMB124.1 million) which mainly comprise of bank borrowings amounting to RMB71.0 million (31 December 2020: RMB71.0 million). The Group's bank borrowings were denominated in RMB and bearing interest at the rates ranging from 4.50% to 4.80% (31 December 2020: 4.50% to 4.80%).

As at 30 June 2021, the gearing ratio, expressed as a percentage of total loans and borrowings over total equity, was approximately 25.0% (31 December 2020: 26.1%).

### **Contingent Liabilities**

As at 30 June 2021, the Group had no contingent liabilities (31 December 2020: Nil).

### **Exposure to Fluctuations in Exchange Rate**

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the six months ended 30 June 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 full extent including establishment of a hedging policy.

### **Charge on Group Assets**

As at 30 June 2021, the Group had the following charges on its assets:

- (a) Bank borrowings totaling 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 RMB8.0 million as at 30 June 2021 (31 December 2020: approximately RMB8.0 million);
  - (ii) leasehold buildings with a carrying value of approximately RMB7.7 million as at 30 June 2021 (31 December 2020: approximately RMB8.0 million); and
- (b) Restricted bank deposits of approximately RMB2.5 million (31 December 2020: approximately RMB4.6 million) were pledged as security for issuing commercial bills to suppliers.

### **Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the six months ended 30 June 2021.

### **Significant Investments Held**

During the six months ended 30 June 2021, the Group did not hold any significant investments.

## **Future Plans for Material Investment and Capital Assets**

Save as disclosed in this announcement, the Group does not have other plans for material investment and capital assets during the six months ended 30 June 2021.

## **Employees and Remuneration Policies**

As at 30 June 2021, the Group had 188 employees (31 December 2020: 184). The total staff costs including directors' remuneration for the six months ended 30 June 2021 were approximately RMB7.1 million (six months ended 30 June 2020: approximately RMB6.3 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decision with respect to salary increment and promotions.

## **Cash Flows**

The Group reported net cash inflow from operating activities of approximately RMB42.6 million for the six months ended 30 June 2021 as compared to that of approximately RMB26.5 million for the six months ended 30 June 2020. The increase in net cash inflow from operating activities was mainly attributable to the increase in cash flow generated from working capital for the six months ended 30 June 2021.

The Group reported net cash inflow of approximately RMB20.6 million from investing activities for the six months ended 30 June 2021 as compared to the net cash outflow of approximately RMB11.2 million for the six months ended 30 June 2020. The swing from cash outflow to cash inflow in respect of the investing activities was mainly due to the refund of the deposit amounting to RMB40 million during the six months ended 30 June 2021. This deposit was paid to the local government in December 2020 for the possible acquisition of land use rights as referred to in the supplemental memorandum of understanding dated 25 March 2021, details of which were set out in the announcement of the Company dated 25 March 2021. As the amount of deposit required for the possible acquisition of land use rights has been reduced from RMB 40 million to approximately RMB 21.1 million upon mutual agreement between the Group and the local government, an aggregate amount of approximately RMB21.1 million was paid by the Group to the local government in June 2021 accordingly.

Net cash outflow amounting to approximately RMB2.2 million was generated from financing activities for the six months ended 30 June 2021 as compared to the net cash inflow of approximately RMB69.1 million for the six months ended 30 June 2020. This was mainly due to the proceeds received from issuance of new Shares pursuant to the global offering.

## Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## Business Objectives and Implementation Plan

An analysis comparing the business objectives set out in the prospectus of the Company dated 31 December 2020 with the Group's actual implementation progress up to 30 June 2021 is set out as follows:

Business Strategies	Planned use of proceeds <i>HK\$'M</i>	Actual use of proceed of proceed <i>HK\$'M</i>	Unutilised amount as at 30 June 2021 <i>HK\$'M</i>	Expected timeframe for the utilisation of the remaining balance
1. Increase the production capacity and efficiency				
– Acquisition of a parcel of land in Changzhou City	20.9	20.9	–	N/A
– Construction of infrastructure including two new factory buildings for production and storage	21.9	–	21.9	Due to the impact of the COVID-19 pandemic, there have been delays in the approval process undertaken by the government. However, the Company will strive to obtain the approval for the transfer of land use rights by the end of December 2021, after which construction of the factory buildings and the related infrastructure will commence. It is further anticipated that construction of the factory buildings and the related infrastructure will be completed by December 2022.

<b>Business Strategies</b>	<b>Planned use of proceeds <i>HK\$'M</i></b>	<b>Actual use of proceed <i>HK\$'M</i></b>	<b>Unutilised amount as at 30 June 2021 <i>HK\$'M</i></b>	<b>Expected timeframe for the utilisation of the remaining balance</b>
– Installation of five additional production lines	26.9	20.9	6.0	The balance is expected to be utilised on or before the end of March 2023
– Installation of environmental-friendly and energy-saving facilities and equipment	2.2	–	2.2	The environmental-friendly and energy-saving facilities and equipment have been planned to be utilised with the infrastructure of the factory buildings. While construction of the factory buildings and the related infrastructure is anticipated to be completed by December 2022 as mentioned above, installation of environmental friendly and energy-saving facilities and equipment is expected to be completed by March 2023 accordingly.
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

<b>Business Strategies</b>	<b>Planned use of proceeds</b> <i>HK\$'M</i>	<b>Actual use of proceed</b> <i>HK\$'M</i>	<b>Unutilised amount as at 30 June 2021</b> <i>HK\$'M</i>	<b>Expected timeframe for the utilisation of the remaining balance</b>
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 utilization of the factory buildings and the related infrastructure. As construction of the factory buildings and the related infrastructure is expected to be completed by December 2022 as mentioned above, enhancement and optimization of the information technology system is anticipated to be completed by June 2023 accordingly.
5. Working capital and general corporate purposes	1.5	1.5	–	N/A
<b>Total</b>	<b>85.8</b>	<b>53.4</b>	<b>32.4</b>	

## OTHER INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/ Nature of interest	Number of shares <sup>(Note 1)</sup> held/ interest in	Percentage of interest in the Company
Mr. Shen Min (“Mr. Shen”)	Interest in a controlled corporation <sup>(Note 2)</sup>	377,625,000	37.76%
	Interest of spouse <sup>(Note 3)</sup>	231,375,000	23.14%
		609,000,000	60.90%
Mr. Shen Minghui (“Mr. Shen MH”)	Interest in a controlled corporation <sup>(Note 4)</sup>	131,475,000	13.15%
Ms. Liu Hui (“Ms. Liu”)	Interest of spouse <sup>(Note 5)</sup>	131,475,000	13.15%

*Notes:*

- All interests stated are long positions.
- Mr. Shen owns 100% of the issued share capital of Jiachen Investment Limited (“**Jiachen Investment**”), which, in turn, holds 377,625,000 Shares. Accordingly, Mr. Shen is deemed to be interested in 377,625,000 Shares held by Jiachen Investment by virtue of the SFO.
- Ms. Zhang Yaying (“**Ms. Zhang**”), the spouse of Mr. Shen, owns 100% of the issued share capital of Xinchen Investment Limited (“**Xinchen Investment**”), which, in turn holds 231,375,000 Shares. By virtue of the SFO, Mr. Shen is deemed or taken to be interested in all the Shares in which Ms. Zhang has, or is deemed to have, an interest for the purpose of SFO.
- Mr. Shen MH owns 100% of the issued share capital of Yilong Investment Limited (“**Yilong Investment**”), which, in turns, holds 131,475,000 Shares. Accordingly, Mr. Shen MH is deemed to be interested in 131,475,000 Shares held by Yilong Investment by virtue of the SFO.
- Ms. Liu is the spouse of Mr. Shen MH. By virtue of the SFO, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Shen MH has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company nor his/her associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or under the Listing Rules to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

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

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

The principal terms of the Scheme are as follows:

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

- (b) The total number of Shares which may be allotted and issued upon exercise of all options must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date which amount to 100,000,000 Shares and can be refreshed by seeking approval of the Shareholders in general meeting.
- (c) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue.
- (d) The subscription price of a Share in respect of any option granted under the Scheme shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option; and (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.
- (e) An option granted under the Scheme shall not be transferable or assignable and is personal to the grantee.
- (f) An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.
- (g) The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.
- (h) The Scheme shall be valid for a period of 10 years commencing from 19 December 2019.

No share option had been granted by the Company since the adoption of the Scheme and as at 30 June 2021, there was no outstanding share option.

#### **DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Save as otherwise disclosed in this announcement, at no time during the six months ended 30 June 2021 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2021.

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

As at 30 June 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 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 therein:

Name	Capacity/ Nature of interest	Number of shares <sup>(Note 1)</sup> held/ interested in	Percentage of interest in the Company
Jiachen Investment <sup>(Note 2)</sup>	Beneficial owner	377,625,000	37.76%
Xinchen Investment <sup>(Note 3)</sup>	Beneficial owner	231,375,000	23.14%
Ms. Zhang	Interest in a controlled corporation <sup>(Note 3)</sup>	231,375,000	23.14%
	Interest of spouse <sup>(Note 4)</sup>	377,625,000	37.76%
		609,000,000	60.90%
Yilong Investment <sup>(Note 5)</sup>	Beneficial owner	131,475,000	13.15%

### Notes:

- All interests stated are long positions.
- Jiachen Investment is wholly-owned by Mr. Shen. By virtue of the SFO, Mr. Shen is deemed to be interested in all of the Shares held by Jiachen Investment.
- Xinchen Investment is wholly-owned by Ms. Zhang. By virtue of the SFO, Ms. Zhang is deemed to be interested in all of the Shares held by Xinchen Investment.
- Mr. Shen, the spouse of Ms. Zhang, owns 100% of the issued share capital of Jiachen Investment, which, in turn, holds 377,625,000 Shares. By virtue of the SFO, Ms. Zhang is deemed or taken to be interested in all the Shares in which Mr. Shen has, or is deemed to have, an interest for the purpose of the SFO.
- Yilong Investment is wholly-owned by Mr. Shen MH. By virtue of the SFO, Mr. Shen MH is deemed to be interested in all of the Shares held by Yilong Investment.

Save as disclosed above, as at 30 June 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.

## **CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS**

During the six months ended 30 June 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 16 of this announcement. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

## **COMPETING INTERESTS**

The Directors confirm that none of the substantial shareholders, namely Mr. Shen, Jiachen Investment, Ms. Zhang, Xinchen Investment, Mr. Shen MH and Yilong Investment, the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 June 2021 and up to the date of this announcement.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 six months ended 30 June 2021. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the six months ended 30 June 2021 and up to the date of this announcement.

## **CORPORATE GOVERNANCE CODE**

The Directors consider that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

## EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 30 June 2021 and up to the date of this announcement.

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 19 December 2019 with written terms of reference by reference to the code provisions of CG Code. The Audit Committee comprises of three members, namely Mr. Ma Ving Lung, Mr. Yu Chun Kau, and Ms. Shi Dongying, all being independent non-executive Directors. Mr. Ma Ving Lung currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.jiachencn.com.cn>). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Changzhou, the People’s Republic of China, 24 August 2021

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

*This announcement is available for viewing on the Company’s website at [www.jiachencn.com.cn](http://www.jiachencn.com.cn) and the website of the Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk).*