



**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  
2022

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## 2 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

Mr. Wang Li

Ms. Long Mei

### Audit Committee

Mr. Xie Xing (*Chairman*)

Mr. Wang Li

Ms. Long Mei

### Remuneration Committee

Ms. Long Mei (*Chairlady*)

Mr. Wang Li

Mr. Chen Shiping

### Nomination Committee

Mr. Wang Li (*Chairman*)

Mr. Shen Min

Mr. Xie Xing

### Authorised Representatives

Mr. Shen Minghui

Mr. Li Wen Tao

### Company Secretary

Mr. Li Wen Tao

### Company Website

[www.jiachencn.com.cn](http://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

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

Weijin District

Chengzhou City

Jiangsu Province

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  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## 4 CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of JiaChen Holding Group Limited (the "**Company**"), it is my pleasure to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 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\$78.2 million has been utilised up to 31 December 2022 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 "**Prospectus**"). The remaining balance of the net proceeds as at 31 December 2022 amounting to approximately HK\$7.6 million is expected to be utilised in accordance with the Strategies and Implementation Plan by March 2024.

### Results

For the year ended 31 December 2022, the Group recorded a total sales revenue of approximately RMB227.3 million representing a decrease of approximately 17.3% compared to that of approximately RMB274.9 million for the year ended 31 December 2021. The main reason for this decline was the implementation of dynamic zero-COVID-19 policy which slowed down the economic activities in the commercial building construction industry in the People's Republic of China (the "**PRC**") for most of 2022. This substantial decrease in the total sales revenue of the Group has also led to the drop of the gross profit and net profit of the Group by approximately 31.1% and 56.5% respectively, from approximately RMB62.5 million and RMB24.7 million respectively for the year ended 31 December 2021 to approximately RMB43.1 million and RMB10.7 million respectively for the year ended 31 December 2022.

### Review and Prospect

During the year ended 31 December 2022, the PRC struggled to contain its worst outbreak of the COVID-19 pandemic through various traffic and travel controls and other social distancing measures for several major cities, which was considered to have a significant adverse impact on the domestic economy and the industry at large, resulting in a serious blow to the gross domestic product ("**GDP**").

The National Bureau of Statistics of the PRC recently announced that China's GDP grew by 3.0% in 2022, compared to 8.1% in 2021, as industrial production rose by 3.6% despite a drop-off in retail sales. However, real estate development investment decreased by 10.0% in 2022, with a 24.3% decrease in the floor space of commercial buildings sold. Businesses in China may continue to face difficulties in production and operation with people experiencing considerable employment difficulties. The government is making strenuous efforts to promote overall economic improvement, but the foundation of the domestic economic recovery is not solid due to the complicated and severe international situation with the looming triple pressure of demand contraction, supply shortage and weakening expectations.

Although 2023 is expected to remain challenging, the economic recovery from the COVID-19 pandemic is progressing at a slow pace. The policy of "dynamic zero-COVID-19 policy" was abolished in the fourth quarter of 2022, and economic activities are restarting. The PRC has reopened its borders to Hong Kong and foreign tourists by allowing all categories of visas to be issued in first quarter of 2023.

Regardless of the foregoing shortcomings, 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 product technology and upgrading the production line in order to maintain effective cost control and strengthen its competitiveness.

## **Acknowledgement**

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our employees and the management team for their hard works and contribution in 2022. I would also like to thank all Shareholders for their long-term support.

**Shen Min**

*Chairman*

30 March 2023

## 6 MANAGEMENT DISCUSSION AND ANALYSIS

### General Overview

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

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

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

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

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

- 高新技術企業 (High-tech Enterprise\*) issued by 江蘇省科學技術廳·江蘇省財政廳及國家稅務總局江蘇省稅務局 (Department of Science and Technology of Jiangsu Province\*, Department of Finance of Jiangsu Province\*, and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation\*);
- 江蘇省專精特新中小企業 (Jiangsu Province Specialized and New Small and Medium-sized Enterprise\*) issued by 江蘇省工業和信息化廳 (Department of Industry and Information Technology of Jiangsu Province\*);
- 品牌質量獎 (Brand Quality Award\*) issued by 中共常州市武進區橫林鎮委員會及常州市武進區橫林鎮人民政府 (Henglin Town Committee of Wujin District of Changzhou City, and the People's Government of Henglin Town, Wujin District of Changzhou City\*);
- 勞動保障誠信企業 (Labor Security Integrity Enterprise\*) issued by 常州市人力資源和社會保障局 (Changzhou Municipal Bureau of Human Resources and Social Security\*);
- 常州市創建和諧勞動關係先進企業 (Advanced Enterprise for Creating Harmonious Labor Relations in Changzhou City\*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City\*);
- CSA8000 常州市企業社會責任標準達標企業 (CSA8000 Changzhou Corporate Social Responsibility Standard Conformity Enterprise\*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City\*); and
- 中國防靜電裝備品牌企業榮譽證書 (China Anti-static Equipment Brand Enterprise Honor Certificate\*) issued by 中國電子儀器行業協會防靜電裝備分會 (Anti-static Equipment Branch of the China Electronic Instrument Industry Association\*).

\* For identification purposes only

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

## Business Objectives and Implementation Plan

An analysis comparing the business strategies set out in the Prospectus with the Group’s actual implementation progress up to 31 December 2022 is as follows:

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

\* For identification purposes only

Business Strategies	Planned use of net proceeds		Actual use of net proceeds up to 31 December 2021	Amount utilised during the year ended 31 December 2022	Unutilised amount as at 31 December 2022	Expected timeframe for the utilisation of the remaining balance
	(HK\$'million)	%	(HK\$'million)	(HK\$'million)	(HK\$'million)	
3. Repayment of outstanding indebtedness of the Group	5.0	5.8	5.0	-	-	N/A
4. Enhancement and optimization of the information technology system	2.3	2.7	-	-	2.3	Enhancement and optimization of the information technology system aims at satisfying the requirements under the expansion of production capacity resulting from the utilisation of the factory buildings. The unutilised amount as at 31 December 2022 is anticipated to be utilised by the end of March 2024.
5. Working capital and general corporate purposes	1.5	1.7	1.5	-	-	N/A
<b>Total</b>	<b>85.8</b>	<b>100.0</b>	<b>57.7</b>	<b>20.5</b>	<b>7.6</b>	

## Sales Analysis

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

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

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

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

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

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

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

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

Generally, it is considered that both product specifications and technical requirements are the major factors affecting the product price. Based on the market needs, the Group usually adopts a cost-plus pricing policy that takes various factors into consideration, such as the production cost, price of raw materials, suppliers of installation services, purchase volume of the customers, background of the customers and competition. Given the circumstances described above, the Group chose to reduce the selling price of its products so as to foster demand and minimize the adverse impact on profitability.

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

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

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

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

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

The gross profit from steel access flooring products accounted for the majority of the gross profit of the Group for both of the years ended 31 December 2022 and 2021. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. Gross profit margin of steel access flooring products for the year ended 31 December 2022 compared to that of the year ended 31 December 2021 reduced by about 1.8 percentage point, while gross profit margin of calcium-sulfate access flooring products for the year ended 31 December 2022 compared to that of the year ended 31 December 2021 reduced by about 15.0 percentage points. The reduction in gross profit margin for these two products was mainly due to the reduction of the selling price in order to foster demand and the increase in non-variable production costs.

## Operating Costs and Expenses

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

The net impairment of contract assets and trade and bills receivables increased by approximately RMB4.0 million to approximately RMB5.0 million for the year ended 31 December 2022 from approximately RMB1.0 million (net of reversal of over-provisions of approximately RMB17.7 million) for the year ended 31 December 2021. During the year ended 31 December 2021, due to the overall recovery of economic performance in the PRC and as a result of debt recovery actions taken by management of the Group, there were reversal of over-provisions for impairment totaling approximately RMB17.7 million on contract assets and trade and bills receivables brought forward from the previous year ended 31 December 2020, which offset the aggregate impairment of approximately RMB18.7 million on the contract assets and trade and bills receivables at 31 December 2021. During the year ended 31 December 2022, there was aggregate under-provisions totaling approximately RMB0.8 million on the contract assets and trade and bills receivables brought forward from the year ended 31 December 2021. Further details of the recoverability assessment on contract assets and trade and bills receivables at the reporting period end are discussed below.

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

Finance costs decreased by approximately RMB0.2 million to approximately RMB3.5 million for the year ended 31 December 2022 from approximately RMB3.7 million for the year ended 31 December 2021. The decrease was mainly due to the reduction in the average interest rates and average bank borrowings during the year ended 31 December 2022.

## Operating Results

Profit before taxation decreased significantly from approximately RMB28.0 million for the year ended 31 December 2021 to approximately RMB11.6 million for the year ended 31 December 2022. The reduction was mainly attributable to the control measures to combat the spread of the COVID-19 pandemic resulting in the slow-down of the economic activities in the commercial building construction industry in the PRC, which in turn has led to a decrease in the revenue of the Group by approximately 17.3%, and the increase in the impairment of contract assets and trade and bill receivables amounting to approximately RMB5.0 million made for the year ended 31 December 2022 (2021: approximately RMB1.0 million).

## Recoverability Assessment of Contract Assets and Trade and Bills Receivables

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by the HKFRS 9 Financial Instruments, which permits the use of lifetime expected loss provision for contract assets and trade and bills receivables. To measure the lifetime ECLs on contract assets and trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, financial difficulties of the defaulted customers and other current conditions at the reporting period end, as adjusted for forward looking information, such as expected economic conditions by reference to the forecast of next year’s GDP in the PRC and subsequent settlements received from the customers after the respective reporting period ends.

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

The estimated 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 the end of the reporting period and additional individual assessment if the relevant customers are defaulted in settlement and have financial difficulties.

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

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

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

## Notes:

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

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

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

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

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

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

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

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

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

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

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

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

The ECL rates on each of the ageing bands of trade and bills receivables at 31 December 2022 generally decreased primarily attributable to the expected recovery of the economic performance in the PRC in 2023 by reference to the forecasted official PRC GDP growth rate for 2023 at 5% (as compared to actual GDP growth rate of 3% for 2022) after the uplift of the governmental measures against COVID-19 in December 2022. At 31 December 2022, the overall ECL rate on the trade and bills receivables at 16.59% (2021: 15.83%) was applied, as proportion of the aggregate balances of trade and bills receivables in ageing bands past due over 1 months, which have higher ECL rates as compared to those balances in ageing bands of not yet due or current and past due within 1 month, accounted for approximately 51.67% (2021: 39.59%) of the total balance of trade and bills receivables.

In the opinion of the Directors, the bad debt rates applied for the measurement of the lifetime ECLs of the Group's contract assets and trade and bill receivables at 31 December 2022 and 2021 are reasonable and adequate.

## Capital Structure

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

## Liquidity and Financial Resources

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

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

As at 31 December 2022, the debt-to-equity ratio, expressed as a percentage of total loans and borrowings and lease liabilities net of cash and cash equivalents and restricted bank deposits over total equity, was about 10.0% (31 December 2021: 7.8%). This increase was mainly resulted from the decrease in bank balance and cash for the year ended 31 December 2022.

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

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

## Contingent Liabilities

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

## Capital Commitments

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

## Exposure to Fluctuation in Exchange Rate

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the year ended 31 December 2022. However, the Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent including establishment of a hedging policy.

## Charges on Group Assets

As at 31 December 2022, the Group had the following charges on its assets:

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

## Employees and Remuneration Policies

As at 31 December 2022, the Group had 175 employees (31 December 2021: 183). The total staff costs including directors' remuneration for the year were approximately RMB15.1 million (2021: approximately RMB14.6 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual appraisal system to assess the performance of staff, which forms the basis of decisions with respect to salary raises and promotions.

## Significant Investment, Acquisition and Disposal

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

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

## Future Plans or Material Investments or Capital Assets

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

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

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

## Capital Expenditure

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

## Cash Flows

The Group reported net cash inflow from operating activities of approximately RMB28.2 million for the year ended 31 December 2022 as compared to the net cash outflow of approximately RMB15.0 million for the year ended 31 December 2021. The swing to cash inflow from cash outflow was mainly attributable to the net cash inflow of approximately RMB4.3 million from working capital during the year ended 31 December 2022 as compared to the net cash outflow of approximately RMB50.4 million from working capital during year ended 31 December 2021.

Net cash outflow from investing activities was approximately RMB31.7 million (2021: net cash inflow of approximately RMB11.8 million) for the year ended 31 December 2022. The swing to cash outflow from cash inflow was largely due to the payment for acquisition of property, plant and equipment and the payment for acquisition of land use rights amounting to approximately RMB18.6 million and RMB16.6 million respectively during the year ended 31 December 2022.

Net cash outflow amounted to approximately RMB4.6 million from financing activities for the year ended 31 December 2022 as compared to net cash inflow of approximately RMB5.9 million for the year ended 31 December 2021. This was mainly due to the repayment of bank borrowings of approximately RMB91.1 million during the year ended 31 December 2022, as compared to that of approximately RMB71.0 million during the year ended 31 December 2021.

## Event After the Reporting Period

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

## Dividend

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

## Executive Directors

**Mr. Shen Min (沈敏) (“Mr. Shen”)**, whose former name was Shen Xiaodu (沈筱度), aged 64, 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 31 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 61, 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 22 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 38, 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 38, 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 42, 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 15 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 was the chief financial officer and company secretary of Hanvey Group Holdings Limited (stock code: 8219), a company listed on GEM of the Stock Exchange from July 2018 to August 2022.

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 36, 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 50, 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 31 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 40, 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 18 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 59, 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 30 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 43, 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. 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 Structure

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 labor 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 regard to our businesses and ESG aspects. With the goal of strengthening the sustainability approach and performance of the Group, we put 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, as shown below.

Stakeholders	Expectations and Concerns	Communication channels
Government/regulatory organizations	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Fulfilment of tax obligations</li> </ul>	<ul style="list-style-type: none"> <li>Announcements and other regulatory reports</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>Return on investments</li> <li>Corporate governance</li> <li>Sustainable development</li> <li>Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Information disclosed on the HKEX website and corporate website</li> <li>Annual general meetings and other shareholders' meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employees' compensation and benefits</li> <li>Career development</li> <li>Occupational safety and health</li> </ul>	<ul style="list-style-type: none"> <li>Employee performance evaluation</li> <li>On-the-job training</li> <li>Internal email</li> <li>Regular meetings</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fulfilment of promises</li> <li>Creditworthiness</li> </ul>	<ul style="list-style-type: none"> <li>Supplier selection assessment</li> <li>Suppliers' performance assessment</li> <li>Supplier meetings</li> <li>Site visits</li> </ul>
Customers	<ul style="list-style-type: none"> <li>High-quality products and services</li> <li>Protection of customer rights and personal data</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Emails and phone communications</li> </ul>
Community/Public	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Involvement in communities</li> <li>Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>Industry events</li> <li>Corporate social responsibility activities</li> </ul>

## Materiality Assessment

During the year ended 31 December 2022, the Group 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:

### Step 1: Identify potential ESG issues

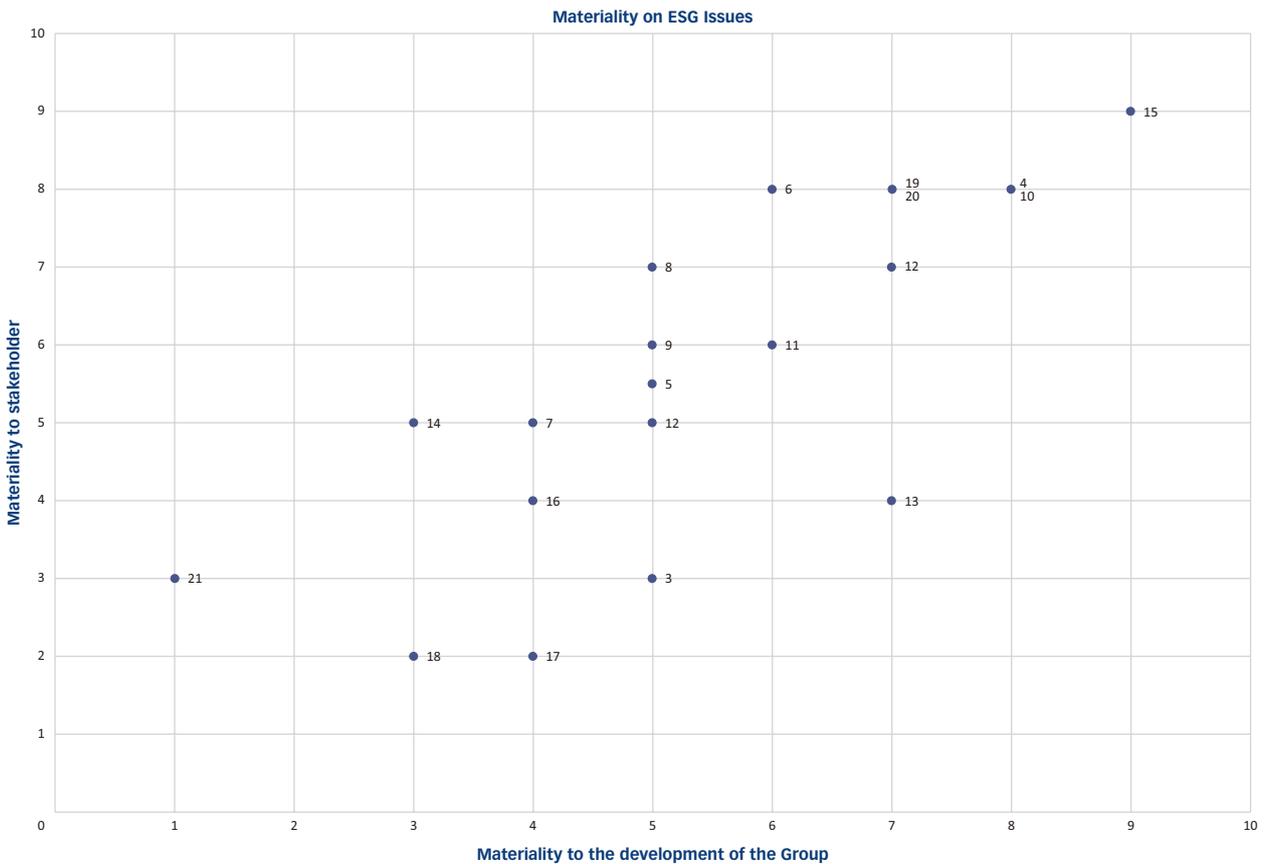
Taking into account the requirements of “ESG Reporting Guide” and the latest sustainability trends in the industry to identify relevant material issues. Twenty-one ESG issues were identified where they mattered most to the Group’s businesses and stakeholders.

### Step 2: Materiality assessment

To determine the materiality of the ESG issues, the view of the Group’s senior management as well as our key stakeholders was sought. The relevance/importance of each of the ESG issues was assessed and scored according to their views on a scale of 0 to 10 (0 is irrelevant and 10 is crucial).

### Step 3: Priority

Based on the materiality assessment result, the Group prioritized the issues in two dimensions, namely, “Materiality to stakeholders” and “Materiality to the development of the Group” and prepared the materiality matrix as below. The ESG issues that fall within the top right-hand quadrant are of the greatest importance.



<b>Aspects</b>	<b>Major concerns</b>
Environment	<ol style="list-style-type: none"> <li>1. Air emission</li> <li>2. Greenhouse gas emission</li> <li>3. Wastes production</li> <li>4. Natural resources consumption</li> <li>5. Use of packaging materials</li> <li>6. Impact to the environment</li> <li>7. Climate change</li> </ol>
Employment	<ol style="list-style-type: none"> <li>8. Labour practices</li> <li>9. Employee remuneration and benefits</li> <li>10. Occupational safety and health</li> <li>11. Employee development and training</li> </ol>
Supply Chain Management	<ol style="list-style-type: none"> <li>12. Green procurement</li> <li>13. Engagement with suppliers</li> <li>14. Environmental and social risk management of the supply chain</li> </ol>
Product Responsibility	<ol style="list-style-type: none"> <li>15. Product/service quality and safety</li> <li>16. Customer privacy and data security</li> <li>17. Marketing and promotion</li> <li>18. Intellectual property rights</li> </ol>
Anti-corruption	<ol style="list-style-type: none"> <li>19. Business ethics &amp; anti-corruption</li> <li>20. Internal grievance mechanism</li> </ol>
Community	<ol style="list-style-type: none"> <li>21. Participation in philanthropy</li> </ol>

## Environmental

### Emissions

#### Air emissions and greenhouse gas ("GHG") emission

The Group is engaged in the manufacturing and sales of access flooring products and provides related installation services. During the manufacturing process, the Group would consume electricity for the manufacturing operation and power 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 emissions from the mobile combustion sources ("**Scope 1**") and indirect emissions from acquired electricity ("**Scope 2**").

Type of emission	Unit	Emission	
		2022	2021
Air emissions			
Nitrogen oxides	kg	<b>11.8</b>	40.0
Sulphur oxides	kg	<b>0.3</b>	0.8
Respiratory suspended particles	kg	<b>0.8</b>	2.9
GHG emissions			
Scope 1	Tonnes of CO <sub>2</sub> e	<b>1,323</b>	2,493
Scope 2	Tonnes of CO <sub>2</sub> e	<b>2,068</b>	1,878
Total (Scope 1, 2)	Tonnes of CO <sub>2</sub> e	<b>3,391</b>	4,371
Emission intensity	Tonnes of CO <sub>2</sub> e per m <sup>2</sup> of factory area	<b>0.12</b>	0.15

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

- Maintenance check on exhausted gas management system and sewage management system is conducted on a weekly basis;
- Air conditioners, office equipment and lighting 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 an environmental impact assessment on the production facilities and the result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. The Group operates an emission license administration system with the following data:

	Unit	2022	2021
Non-hazardous waste	Tonne	<b>426</b>	480
Non-hazardous waste intensity	Tonne per million RMB of revenue	<b>1.9</b>	1.7
Hazardous waste	Tonne	<b>12</b>	15
Hazardous waste intensity	Tonne per million RMB of revenue	<b>0.06</b>	0.05

### Compliance with laws and regulations

The Group has constantly kept up-to-date with the local legislation and standards for environmental protection. During the year ended 31 December 2022, the Group was not aware of any incidents of non-compliance with applicable environmental laws and regulations, including but not limited to the following:

- Environmental Protection Law
- Water Pollution Prevention and Control Law
- Law on the Prevention and Control of Environmental Pollution by Solid Waste
- Atmospheric Pollution Prevention and Control Law
- Law on the Prevention and Control of Environmental Pollution by Noise.

### Use of Resources

#### Energy and water consumption

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

- Provision of training and workshop for water-saving and reducing energy to all employees.
- 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 number 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 an explanation of extra usage.
- Regular check on water pipes.

The consumption data recorded for the year ended 31 December 2022 is as below:

<b>Resources</b>	<b>Unit</b>	<b>Consumption</b>	<b>Consumption intensity (Per million RMB revenue)</b>
Electricity	mWh	<b>3,390</b>	<b>14.9</b>
Petrol	L	<b>17,521</b>	<b>77.1</b>
Natural gas	m <sup>3</sup>	<b>559,000</b>	<b>2,462.6</b>
Water	m <sup>3</sup>	<b>15,000</b>	<b>66</b>

#### **Packaging materials**

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

<b>Packaging materials</b>	<b>Unit</b>	<b>Consumption</b>	<b>Consumption intensity (Per million RMB revenue)</b>
Paper materials and carton box	kg	<b>40,101</b>	<b>176</b>
Woods	m <sup>3</sup>	<b>1,034</b>	<b>4.6</b>
Plastic materials	tonne	<b>41</b>	<b>0.2</b>
Metals	tonne	<b>17,736</b>	<b>78</b>

**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 changes**

We are making every effort to improve the Group's capacity to manage climate change risks by fully identifying the various opportunities and challenges posed by climate change and formulating effective countermeasures.

**Governance**

The Board makes final decisions on strategies and policies to mitigate climate-related risks at its regular meetings, enhancing our contribution to addressing climate change-related issues. The Commission on Sustainable Development, consisting of high-ranking individuals from various business divisions, alongside the Sustainable Development Office, is authorized to assess material ESG perils, with a special focus on climate risks. This collaborative team is also responsible for formulating objectives and plans concerning climate actions in accordance with the directives of the Board of Directors, as well as appraising progress regarding these objectives.

The Board also seeks professional advice from outside experts when needed in order to better support relevant decisions.

**Risk Management**

We incorporate climate-related risks into the Group's regular risk management processes with the cooperation between the operation teams and the risk management team to identify the potential impact of climate-related issues on our operations

We will identify physical and transition risks that may affect the Group's business operations through industry-level risk reviews and dialogues between the managerial levels of different departments. We also plan to communicate with directors and senior management to gain further insight into the climate-related risks.

We have set the Group's greenhouse gas emission control targets and action plans, and are actively developing photovoltaic products and solutions.

Risk type	Influencing factors	Possible impact on business	Time scale	strategy
Physical risk	Heat waves	In view of the prolonged hot weather and consequent intense usage of the Group's ventilation, cooling and air conditioning equipment for production and operations, electricity consumption has risen significantly and is expected to maintain an upward trajectory, hence leading to a continued rise in operating costs.	Long-term	The energy consumption of air-conditioning and other refrigeration systems is carefully monitored, equipment with the highest level of energy efficiency is procured, and the principles of green office practices are actively advocated.
Transition risk	Increased pricing of greenhouse gas emissions	The Group is not among the first band of emission-controlled industries to be included in China's carbon market, but it is thought that the scope of the carbon market may be further expanded in the medium-term to the long-term. The Group will incur additional operating costs if its emission of greenhouse gases exceeds the limits.	Long-term	We have started to develop the Group's greenhouse gas emission management targets in response to China's "3060 target" in the long term.
	Stakeholder concerns	An increasing number of investors are adopting ESG investment guidelines such as the principles for responsible investment, placing a strong focus on corporate climate change actions. If the Group fails to proactively carry out the shift to decarbonization, this may result in investors underestimating the value of the company	Medium to long term	We continue to promote energy-saving transformations vigorously, and strictly control the Group's energy consumption and greenhouse gas emission levels. We have started work on our greenhouse gas reduction strategy and targets, and will implement a series of decarbonization actions.

## Employment and Labour Practices

### Employment

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

### Anti-discrimination and equal opportunity

The Group espouses a strong commitment to nondiscrimination and equal opportunities for all, regardless of age, gender, race, disability or marital status, in order to foster greater employee satisfaction. It seeks to diversify its staff in terms of gender and age to create a balanced professional environment. Moreover, the Group actively encourages diversity among its workforce and warmly welcomes people of any background, thus effectively bringing the principle of fairness into practice.

For the year ended 31 December 2022, the Group has 175 employees and the staff turnover rate is approximately 16.6%.

	No. of staff	Staff turnover rate
<b>Total number of employees</b>		
<b>Gender</b>		
Male	125	15.8%
Female	50	18.5%
<b>Age Group</b>		
18–30	15	–
31–40	49	13.2%
41–50	57	19.2%
51 or above	54	16.7%
<b>Category</b>		
Full time	175	16.6%
Part-time	0	100%
<b>Region</b>		
PRC	175	16.6%
Hong Kong	0	100%

The Group will continue to explore ways to improve employee turnover, enhance employee benefits and strengthen communication with employees. The difference in job nature would be able to explain the difference in the composition. In addition, the Group welcomes any age range of people to join the Group as long as they are keen to learn and participate.

### Compliance with laws and regulations

During the year ended 31 December 2022, the Group is not aware of any significant 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

### Health and Safety

The Group proactively works to reduce the 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 risks 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 regularly. During the year ended 31 December 2022, the Group was not aware of any non-compliance with laws and regulations relating to health and safety issues.

Protecting employees' occupational health and safety is critical for the Group. The Group complies with the Labour Law of the People's Republic of China and the regulation of Insurance for Labour Injury concerning occupational safety and health and other applicable regulations for a healthy and comfortable working environment.

<b>Occupational health and safety statistics</b>	<b>2022</b>	2021	2020
Number of lost days due to work injury	<b>Nil</b>	Nil	74
Number of work-related fatalities	<b>Nil</b>	Nil	Nil

### 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 training for developing the workforce, including orientation and on-board training for new staff for them to adapt to the operation of the Group efficiently and strengthen the skills and knowledge required at work. On-job training is provided for workers, while specific management training is provided to managers and officers. There are also regular annual appraisals to assess staff performance with their supervisors.

The training details of the staff for the year ended 31 December 2022 is stated as follows:

	Percentage of staff attended training	Average training hours completed
<b>By Gender</b>		
Male	100%	1
Female	100%	0.7
<b>Categories</b>		
Senior management	100%	3.9
Middle management	100%	0.6
General staff	79%	0.8

### 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. The Management believes that the Group has complied with relevant labour standards for the year ended 31 December 2022. 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 2022, no labour disputes between the company and its staff has been recorded.

The Group's policy is to disqualify the person from employment if they are found to be hired against the requirements of the Labour Contract Law. The Group adhere to the laws and regulations prohibiting child labour and forced labour, which mainly includes the following:

- Labour Law
- Labour Contract Law
- Law on Protection of Minors

### Operating Practices

#### Supply Chain Management

Leveraging 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. 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. Additionally, the Group requests its suppliers to comply with relevant legislation when supplying goods and services to the Group. Any suppliers 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 2022, the Group had 73 suppliers with about 66% and 34% of the suppliers located in Jiangsu Province and the provinces and cities nearby, respectively.

### Product Responsibility

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

#### **Quality management and customer satisfaction**

The production of sampling inspection was conducted under the national standard of sampling procedures (GB/T2829). Investigation and analysis are carried out when the quality inspection result is unsatisfactory. Before dispatching products, we have a final quality inspection. There is also a one-year to two-year warranty provided for the customers.

As for ensuring service quality, a quality control department is established to respond to the customer's requirements. The quality control department also implemented a system for the prevention of unauthorized service provided, supervision in the installation service and indemnity from suppliers of installation services.

During the warranty period, follow-up actions or maintenance services are arranged within 1 business day of receiving customer feedback or enquiry. In order to maintain and improve our customer services, a post-sales service register is maintained.

For the year ended 31 December 2022, no products were returned due to safety or quality problems nor complaint received from customers.

#### **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 refrains from unauthorized or accidental access, processing, erasure or other use.

#### **Intellectual properties**

Intellectual property protection is a requisite for innovation-driven development. The Group formulates intellectual property registration application specifications to regulate the correct use of company design copyrights and trademarks and avoid situations such as damage to rights or infringements caused by failure to declare intellectual property protection on time. The Group also protects its intellectual property rights by prolonged use and registration of domain names and trademarks. The Group's domain names are constantly monitored and renewed before their expiration.

During the year ended 31 December 2022, the Group complied with laws and regulations that have a significant impact on the Group concerning health and safety, labelling and privacy matters relating to products. This included, but was not limited to, 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.

### Anti-Corruption

The Anti-corruption Policy is instituted to ensure all personnel strictly adhere to the Group's "zero tolerance" policy pertaining to acts of corruption, bribery, and extortion which may take place in the course of their daily duties. Any forms of bribery, forgery and misappropriation of materials, including intellectual property, extortion, fraud and money laundering, are strictly prohibited. The Anti-Fraud Policy sets forth the expectations of each employee to remain vigilant and alert to any potential fraudulent activity in the performance of their duties. Additionally, the staff manual provides guidelines on appropriate behaviour regarding gifts, conflicts of interest and other matters to heighten the awareness of all personnel concerning the risk of fraud. Organizational training has been scheduled, focusing on fostering integrity and providing instruction on recognizing and handling fraudulent acts for directors and personnel.

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 (ICAC) of Hong Kong about topics related to corruption, fraud, conflicts of interest, cross-border bribery, backdoor listings, and insider trading.

### Whistleblowing policy and procedure

We encourage transparency and honesty, and provide channels for reporting misconduct or malpractices. The Whistle-blower Policy safeguards those who report such activities from potential repercussions. Employees are strongly encouraged to promptly report suspicious activity to their direct supervisor, senior management, or the Audit Committee while preserving anonymity. The Company shall take due care in responding to all reports of suspected cases of fraud and conduct thorough investigations with the utmost confidentiality. Corrective actions and disciplinary action (including dismissal in certain instances) shall be imposed expeditiously if required. All suspicious transactions detected from the investigations shall be timely reported to the relevant authority by the responsible party.

### Compliance with laws and regulations

During the year ended 31 December 2022, the Group abides by the laws and regulations related to anti-corruption and money laundering, including but not limited to the following:

- Criminal Law;
- Anti-Unfair Competition Law; and
- Company Law.

There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

## Community Investment

For the continuous effort to give back to society, the Group would seek 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 2022, the Group donated RMB40,000 to support the charity organization in the local community of Changzhou City, Jiangsu Province, and our staff has joined the blood donation activities held by the government institution.

## Corporate Governance Practices

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

Throughout the financial year ended 31 December 2022, the Company has complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

## Corporate Culture and Strategy

The Company embeds with a strong corporate culture for compliance, corporate governance and corporate social responsibilities, and at the same time, strives to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and continuous development. The Company acts as an investment holding company and the principal activities of its subsidiaries are manufacturing and sales of access flooring products and provision of related installation services. As a group with a well-established business foundation, it is the Board's role to foster a corporate culture with the following principles to guide the conduct and behaviours of its employees, and ensure that the Company's vision, mission and business strategies are aligned to it:

- (i) Integrity – we strive to do what is right;
- (ii) Excellence – we aim to deliver excellence;
- (iii) Collaboration – we are always better together;
- (iv) Accountability – we are accountable for delivering on our commitments;
- (v) Empathy – we care about our stakeholders – employees, customers, supply chain and the community; and
- (vi) Sustainability – we are committed to a sustainable future.

The Group continuously reviews and updates its strategies to provide better clarity on direction and business models. In addition, the Group takes active and prompt measures to meet market changes through adjustment of business strategies and control over costs for supporting continuous business development of the Group.

## 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 A.2.1 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 consists 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

Mr. Wang Li

Ms. Long Mei

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 a 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.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skills, knowledge, responsibilities and involvements in the Company's affairs.

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 Minghui, Ms. Liu Hui and Mr. Xie Xing 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.

The Company has established a board independence evaluation mechanism during the year ended 31 December 2022 which sets out the processes and procedures to ensure a strong independent element so as to allow the Board to exercise independent judgment effectively for safeguarding the Shareholders' interests. The objectives of the evaluation are to improve board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies the actions of the Company required to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. Pursuant to the board independence evaluation mechanism, the Board reviewed the implementation and effectiveness of the board independence evaluation mechanism during the year ended 31 December 2022 and the results were satisfactory.

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.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

- at least one of members of the Board shall be female;
- at least one-third of the members of the Board shall be independent non-executive Directors;
- at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- at least 50 % of the members of the Board shall have more than 10 years of experience in the industry he/she is specialised in; and
- at least 70 % of the members of the Board shall have China-related work experience.

The board diversity policy is well implemented as evidenced by the fact that there are 2 female and 5 male Directors ranging from 36 years old to 64 years old with experience from different industries and sectors.

The Board has reviewed and considered the implementation of the board diversity policy to be effective during the year ended 31 December 2022.

## 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.

## Whistleblowing Policy

The Company has in place a whistleblowing policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Company about possible improprieties in any matters related to the Company.

## Anti-Corruption Policy

The Company has also in place an anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2022, there was no non-compliance case in relation to bribery and corruption.

## 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 C.1.4 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 2022:

	<b>Corporate governance, rules and regulations (including directors' duties)</b>	<b>Financial, management and other business skills and knowledge</b>
<b>Executive Directors</b>		
Mr. Shen Min	✓	✓
Mr. Chen Shiping	✓	✓
Mr. Shen Minghui	✓	✓
Ms. Liu Hui	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Xie Xing	✓	✓
Mr. Wang Li	✓	✓
Ms. Long Mei	✓	✓

## Board Meetings

Pursuant to code provision C.5.1 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 C.5.1 of the CG Code in the year ended 31 December 2022. Details of the attendance of the Directors for the year ended 31 December 2022 are as follows:

Name of Directors	Attended/eligible to attend
<b>Executive Directors</b>	
Mr. Shen Min	4/4
Mr. Chen Shiping	4/4
Mr. Shen Minghui	4/4
Ms. Liu Hui	4/4
<b>Independent Non-executive Directors</b>	
Mr. Xie Xing	4/4
Mr. Wang Li	4/4
Ms. Long Mei	4/4

## Chairman and Chief Executive Officer

Pursuant to the code provision C.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 2022 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 2022.

The audit committee held two meetings during the year ended 31 December 2022, at which the audited annual results of the Group for the year ended 31 December 2021, the unaudited interim results of the Group for the six months ended 30 June 2022 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 2022. Individual attendance of each committee member at the meetings during the year ended 31 December 2022 are as follows:

Name of members	Attended/eligible to attend
Mr. Xie Xing ( <i>Chairman</i> )	2/2
Mr. Wang Li	2/2
Ms. Long Mei	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: (i) assess performance of executive Directors and approve the terms of executive Directors' service contracts; (ii) review and approve performance-based remuneration with reference to corporate goals and objectives; (iii) make recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of all Directors and senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted); (iv) review and approve that the share options offered by the Company to its Directors or Senior Management (if any) are in accordance with Chapter 17 of the Listing Rules, or the employees incentive schemes are in compliance with applicable laws and regulations, as applicable; and (v) establish a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined with reference to the performance of the individual and the Group as well as market practice and conditions.

The members of the remuneration committee should meet at least once a year. During the year from 1 January 2022 to 31 December 2022, the remuneration committee held one meeting, 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 2022 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 the independent non-executive Directors.

Name of members	Attended/eligible to attend
Ms. Long Mei ( <i>Chairlady</i> )	1/1
Mr. Wang Li	1/1
Mr. Chen Shiping	1/1

Remuneration payment made to senior management of the Group for the year ended 31 December 2022 falls within the following bands:

Remuneration Band (RMB)	Number of individuals	
	2022	2021
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 2022, the nomination committee held one meeting, 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 2022 is as follows:

Name of members	Attended/eligible to attend
Mr. Wang Li ( <i>Chairman</i> )	1/1
Mr. Shen Min	1/1
Mr. Xie Xing	1/1

## Company Secretary

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

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

## Directors' and Auditor's Responsibilities for Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. As at 31 December 2022, 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 59 to 64 of this report.

## Auditors' Remuneration

For the year ended 31 December 2022, remuneration paid/payable to auditors for audit services is approximately RMB1,117,000 (2021: RMB996,000).

## 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 2022. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the year ended 31 December 2022 and up to the date of this 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 2022, 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 2022. The Directors were satisfied that the internal control systems as appropriate to the Group for the year ended 31 December 2022 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 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 F.2.2 of the CG Code, attendance of members of the Board to the AGM held on 16 June 2022 is as follows:

	<b>Attended/eligible to attend</b>
<b>Executive Directors</b>	
Mr. Shen Min	1/1
Mr. Chen Shiping	1/1
Mr. Shen Minghui	1/1
Ms. Liu Hui	1/1
<b>Independent Non-executive Directors</b>	
Mr. Xie Xing	1/1
Mr. Wang Li	1/1
Ms. Long Mei	1/1

## 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@jjachencn.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 the following channels for maintaining on-going dialogue with the Shareholders and considers that implementation of the communication policy is effective:

- (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

Pursuant to the amendments to the Listing Rules to adopt a uniform set of 14 "Core Standards" for shareholder protections, the memorandum and articles of association of the Company (the "M&A") were amended for the purpose of bringing the M&A in line with amendments made to the Listing Rules and the applicable law and procedures in the Cayman Islands and making certain minor housekeeping amendments to the M&A for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the M&A. The amended and restated M&A were approved in substitution for and to the exclusion of the M&A adopted on 19 December 2019 at the AGM held on 16 June 2022 as a special resolution.

A copy of the amended and restated M&A is posted on the designated website of the Main Board of the Stock Exchange and the website of the Company.

Save for the above amendments, there was no change in the M&A in the year ended 31 December 2022.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

### 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 manufacturing and sales of access flooring products and provision of related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC.

Details of the Company's principal subsidiaries as at 31 December 2022 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 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

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

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 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 2022 are set out in note 31 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 2022 are set out in the consolidated statement of changes in equity on page 68 of this annual report.

The Company's reserves available for distribution to the shareholders as at 31 December 2022 amounted to RMB209,457,000 (2021: RMB212,425,000).

## 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 pages 150 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

Mr. Wang Li

Ms. Long Mei

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

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

## Directors' Service Contracts

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

## Directors' Interests in Transactions, Arrangements or Contracts of Significance

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 2022, 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 <sup>(Note 1)</sup> held/ interested in	Percentage of interest in the Company
Mr. Shen Min	Interest in a controlled corporation <sup>(Note 2)</sup>	277,625,000	27.76%
	Interest of spouse <sup>(Note 3)</sup>	231,375,000	23.14%
		509,000,000	50.90%
Mr. Shen Minghui	Interest in a controlled corporation <sup>(Note 4)</sup>	131,475,000	13.15%
Ms. Liu Hui	Interest of spouse <sup>(Note 5)</sup>	131,475,000	13.15%
Mr. Xie Xing	Beneficial owner	35,000	0.00035%
Ms. Long Mei	Beneficial owner	50,000	0.0005%

### Notes:

- All interests stated are long positions.
- 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.
- 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.
- Mr. Shen Minghui owns 100% of the issued share capital of Yilong Investment Limited ("Yilong Investment"), which, in turn, 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.
- 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 2022, 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 2022.

## 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 2022, 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 <i>(Note 1)</i> held/ interested in	Percentage of interest in the Company
Jiachen Investment <i>(Note 2)</i>	Beneficial owner	277,625,000	27.76%
Xinchen Investment <i>(Note 3)</i>	Beneficial owner	231,375,000	23.14%
Ms. Zhang Yaying	Interest in a controlled corporation <i>(Note 3)</i>	231,375,000	23.14%
	Interest of spouse <i>(Note 4)</i>	277,625,000	27.76%
Yilong Investment <i>(Note 5)</i>	Beneficial owner	131,475,000	13.15%
Global Yunhong Group Limited ("Global Yunhong") <i>(Note 6)</i>	Beneficial owner	100,000,000	10.00%
Mr. Li Yubao	Interest in a controlled corporation <i>(Note 6)</i>	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. Xincheng 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 Xincheng 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 2022, 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 2022, 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 2022, sales to the Group's five largest customers accounted for 16.9% (2021: 19.7%) 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 4.1% (2021: 7.0%).

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for 48.8% (2021: 36.7%) 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 12.5% (2021: 9.5%).

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 2022.

## 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 2022 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 2022.

## 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 RMB15,056,000 (2021: RMB14,623,000) for the year ended 31 December 2022, including the contributions to the defined contribution retirement schemes of approximately RMB2,866,000 (2021: RMB2,743,000) as disclosed in Note 9 to the consolidated financial statements. 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.

## Competing Interests

As at 31 December 2022, 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.

## 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 the 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.

The independent non-executive Directors have reviewed: (i) the Deed of Non-competition; and (ii) the written declarations by the Substantial Shareholders (other than Yunhong Global) to comply with their undertakings under the Deed of Non-competition during the year ended 31 December 2022, and were satisfied that the terms of the Deed of Non-competition had been duly complied with and enforced during the year ended 31 December 2022.

During the year ended 31 December 2022, the Board had not received any written confirmation from any of the Directors in respect of interest in any business (other than the Group) which is or is likely to be directly or indirectly in competition with the business of the Group. In light of the above, the Substantial Shareholders (other than Yunhong Global) are considered to have complied with their undertakings under the Deed of Non-competition during the year ended 31 December 2022.

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

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

## Charitable Donations

During the year ended 31 December 2022, the charitable and other donations made by the Group amounted to approximately RMB40,000 (2021: RMB20,000).

## 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 18 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 22 to 36 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 37 to 49 of this annual report.

## Event After the Reporting Period

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

## Auditor

The consolidated financial statements for the year ended 31 December 2022 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*

30 March 2023



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 65 to 149, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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
<p><b>Revenue recognition</b></p> <p><i>(Refer to Notes 3(t)(i), 4(b)(i) and (vi), and 6 to consolidated financial statements)</i></p> <p>The Group's principal activities are manufacturing, sale and/or installation of the access flooring plates. The terms of the sales contracts are complex and the performance obligations, that are promised in the sales contracts and capable of being distinct and separately identifiable, mainly included supply of access flooring plates and/or installation services. The sales contracts also contain product assurance warranty clauses, which are mainly related to agreed-upon product function specification and with expiring dates falling within 1 to 2 years after the control of the promised access flooring plates and/or installation services were transferred to the customers. Revenue was recognised when the control of the access flooring plates and/or the installation services have been transferred to the customers, over time or at a point in time. The progress towards complete satisfaction of the performance obligations are based on direct measurement of the actual quantities of the access flooring plates that were delivered to and accepted by the customers or installed onto the customers' properties, depending on the types of the sales contracts, using the output method.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.</p>	<p>Our procedures in relation to the revenue recognition mainly included:</p> <ul style="list-style-type: none"> <li>a) Testing and evaluating the effectiveness of the key internal controls relating to the management's revenue recognition;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>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</li> <li>f) Reviewing the adequacy of disclosures for the revenue made in the consolidated financial statements.</li> </ul>

## Key Audit Matters (Continued)

The Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment of trade and bills receivables and contract assets</b></p>	
<p><i>(Refer to Notes 3(j)(i), 4(b)(iii), 21(a), 22 and 38(a) to consolidated financial statements)</i></p>	<p>Our procedures in relation to the impairment of trade and bills receivables and contract assets mainly included:</p>
<p>At 31 December 2022, the Group's trade and bills receivables and contract assets amounted to approximately RMB150.4 million and RMB85.6 million, net of the allowance for lifetime expected credit losses ("ECL") of approximately RMB29.9 million and RMB5.3 million, respectively, and accounted for 33.6% and 19.1% of the Group's total assets, respectively.</p>	<p>a) Understanding the Group's process on trade debt collection and impairment assessment of trade and bills receivables and contract assets;</p>
<p>In the normal course of its ordinary business, the Group generally grants its customers with a credit period ranging from 60 to 365 days after billings. Contract assets represent the Group's rights to contract consideration for the promised access flooring plates and/or installation services transferred by the Group to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the access flooring plates and/or installation services transferred by the Group, other than on passage of time. When the rights to receipt of consideration for the performed obligations become unconditional, billings are issued to the customers and the contract assets are reclassified to trade and bills receivables. At 31 December 2022, contract assets also include retention monies, representing 3% to 10% of the consideration of the underlying contracts, of approximately RMB12.8 million retained by the customers and due for settlement only at the expiry date of the product assurance warranty period, usually within 1 to 2 years and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group. Contract assets share substantially the same risk characteristics of the trade and bills receivables for the same types of the sales contracts. The Group's customers are mainly the large property developers and state-owned enterprises in the PRC. The Group does not hold any collateral as security for the trade and bills receivables and contract assets. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after the year end.</p>	<p>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;</p>
<p>Loss allowances for trade and bills receivables and contract assets are measured at an amount equal to lifetime ECLs that are expected to result from all possible default events over the expected lives of the trade and bills receivables and contract assets. Lifetime ECLs on the trade and bills receivables and contract assets are estimated by reference to the collective risk characteristics of the customers, using a provision matrix based on the Group's historical credit loss experiences, as adjusted for current conditions at the reporting period end and forward looking information, factors specific to the debtors and general economic environment.</p>	<p>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;</p>
<p>We identified the impairment of trade and bills receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements and management's significant judgement and inherent estimation uncertainties are involved in determining the ECLs for trade and bills receivables and contract assets.</p>	<p>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;</p>
	<p>e) Checking the accuracy of 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 2023 PRC GDP growth rate with reference to expectations of credit analysts and International Monetary Fund, which may have impacts on the customers' abilities to settle their trade debts to the Group in future;</p>
	<p>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;</p>
	<p>g) Conducting searches on the customers, on a sample basis; and</p>
	<p>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.</p>

## **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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

### **Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 30 March 2023

### **Leung Chun Wa**

Practising Certificate Number: P04963

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	6	<b>227,270</b>	274,920
Cost of sales		<b>(184,206)</b>	(212,457)
<b>Gross profit</b>		<b>43,064</b>	62,463
Other revenue and other net income	7	<b>4,540</b>	3,311
Selling expenses		<b>(7,178)</b>	(8,696)
Impairment of contract assets and trade and bills receivables, net	9	<b>(4,990)</b>	(946)
Administrative expenses		<b>(20,370)</b>	(24,479)
Profit from operations		<b>15,066</b>	31,653
Finance costs	8	<b>(3,462)</b>	(3,698)
<b>Profit before taxation</b>	9	<b>11,604</b>	27,955
Income tax	10	<b>(857)</b>	(3,271)
<b>Profit and total comprehensive income for the year</b>		<b>10,747</b>	24,684
<b>Attributable to:</b>			
Owners of the Company		<b>10,683</b>	24,542
Non-controlling interests		<b>64</b>	142
<b>Profit and total comprehensive income for the year</b>		<b>10,747</b>	24,684
		<b><i>RMB cents</i></b>	<i>RMB cents</i>
<b>Earnings per share</b>			
Basic and diluted earnings per share	14	<b>1.07</b>	2.45

The notes on pages 71 to 149 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	49,409	30,088
Land use rights	16	46,140	7,694
Right-of-use assets	17	138	277
Other intangible assets	18	–	46
Long-term deposits and prepayments	19	7,616	38,142
Deferred tax assets	30(b)	5,563	4,814
		<b>108,866</b>	81,061
<b>Current assets</b>			
Inventories	20	45,623	50,870
Contract assets	21	85,643	79,099
Trade and bills receivables	22	150,358	141,768
Deposits, prepayments and other receivables	23	7,774	15,897
Amount due from a shareholder and director	35(b)	–	1,331
Restricted bank deposits	24	2,307	2,761
Cash and cash equivalents	25	47,245	55,269
		<b>338,950</b>	346,995
<b>Total assets</b>		<b>447,816</b>	428,056
<b>Current liabilities</b>			
Trade and bills payables	26	19,148	17,980
Contract liabilities	21	2,095	3,080
Accruals and other payables	27	36,460	26,986
Lease liabilities	28	87	159
Bank borrowings	29	79,990	81,000
Tax payable	30(a)	2,882	2,371
		<b>140,662</b>	131,576
<b>Net current assets</b>		<b>198,288</b>	215,419
<b>Total assets less current liabilities</b>		<b>307,154</b>	296,480

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Lease liabilities	28	<b>52</b>	125
<b>Net assets</b>		<b>307,102</b>	296,355
<b>Equity</b>			
Share capital	31(a)	<b>8,856</b>	8,856
Reserves	31	<b>296,882</b>	286,199
<b>Equity attributable to owners of the Company</b>		<b>305,738</b>	295,055
Non-controlling interests	32	<b>1,364</b>	1,300
Total equity		<b>307,102</b>	296,355

Approved and authorised for issue by the board of directors on 30 March 2023.

**Shen Min**  
*Director*

**Chen Shiping**  
*Director*

The notes on pages 71 to 149 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity attributable to owners of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31(a) and (d))	(Note 31(d)(i))	(Note 31(b))	(Note 31(c))			(Note 32)	
<b>At 1 January 2021</b>	8,856	154,249	1,577	11,068	94,763	270,513	1,158	271,671
Profit and total comprehensive income for the year	-	-	-	-	24,542	24,542	142	24,684
Transfer of statutory reserve (Note 31(c))	-	-	-	3,307	(3,307)	-	-	-
<b>At 31 December 2021 and 1 January 2022</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>14,375</b>	<b>115,998</b>	<b>295,055</b>	<b>1,300</b>	<b>296,355</b>
Profit and total comprehensive income for the year	-	-	-	-	10,683	10,683	64	10,747
Transfer of statutory reserve (Note 31(c))	-	-	-	1,101	(1,101)	-	-	-
<b>At 31 December 2022</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>15,476</b>	<b>125,580</b>	<b>305,738</b>	<b>1,364</b>	<b>307,102</b>

The notes on pages 71 to 149 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

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FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Operating activities</b>			
Profit before taxation		<b>11,604</b>	27,955
Adjustments for:			
Interest income	7	<b>(625)</b>	(288)
Finance costs	8	<b>3,462</b>	3,698
Impairment of contract assets and trade and bills receivables, net	9	<b>4,990</b>	946
Depreciation of property, plant and equipment	15	<b>4,660</b>	4,547
Amortisation of land use rights	16	<b>543</b>	173
Depreciation of right-of-use assets	17	<b>102</b>	566
Amortisation of other intangible assets	18	<b>46</b>	48
Net loss on disposal of property, plant and equipment	9	<b>201</b>	490
Gain on lease termination	7	<b>(7)</b>	(418)
Operating profit before changes in working capital		<b>24,976</b>	37,717
Decrease/(increase) in inventories		<b>5,247</b>	(19,911)
Increase in contract assets, trade and bills and other receivables		<b>(12,475)</b>	(27,707)
Decrease/(increase) in amount due from a shareholder and director		<b>1,331</b>	(1,331)
Increase/(decrease) in trade and bills payables		<b>1,168</b>	(9,817)
Increase in other payables and contract liabilities		<b>9,070</b>	8,414
Cash generated from/(used in) operations		<b>29,317</b>	(12,635)
Tax paid	30(a)	<b>(1,095)</b>	(2,397)
<b>Cash generated from/(used in) operating activities</b>		<b>28,222</b>	(15,032)
<b>Investing activities</b>			
Payment for acquisition of property, plant and equipment		<b>(18,638)</b>	(7,351)
Payment for acquisition of land use rights		<b>(16,643)</b>	–
Proceeds from disposal of property, plant and equipment		<b>2,529</b>	166
Refund of long-term deposits and prepayments of property, plant and equipment, net	19	–	18,876
Payment for compensation of acquisition of land	19	–	(2,018)
Withdrawal of restricted bank deposits		<b>454</b>	1,855
Interest received		<b>625</b>	288
<b>Net cash (used in)/generated from investing activities</b>		<b>(31,673)</b>	11,816

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Financing activities</b>			
Proceeds from bank borrowings	36	<b>90,090</b>	81,000
Repayment of bank borrowings	36	<b>(91,100)</b>	(71,000)
Repayment of lease liabilities	36	<b>(101)</b>	(724)
Interests paid	36	<b>(3,462)</b>	(3,390)
<b>Net cash (used in)/generated from financing activities</b>		<b>(4,573)</b>	5,886
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(8,024)</b>	2,670
<b>Cash and cash equivalents at beginning of year</b>		<b>55,269</b>	52,599
<b>Cash and cash equivalents at end of year</b>		<b>47,245</b>	55,269

The notes on pages 71 to 149 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 City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

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

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

At 31 December 2022 and 2021, the immediate and ultimate holding company of the Company was Jiachen Investment Limited (“**Jiachen Investment**”), a company incorporated in the British Virgin Island (the “**BVI**”) and wholly owned by 沈敏 (Mr. Shen Min) (“**Mr. Shen**”) who was regarded as the ultimate controlling party of the Group.

\* For identification purpose only

## 2. Subsidiaries

The Company has direct and indirect interests in the following subsidiaries at 31 December 2022 and 2021:

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
<b>Directly held by the Company</b>							
LeiShuo Ventures Development Limited ("LeiShuo Ventures")	Investment holding	BVI	Hong Kong ("HK")	Limited liability company	18 July 2017	US\$1 (2021: US\$ 1)	100% (2021: 100%)
Rui Xing Holdings Limited ("Rui Xing Holdings")	Investment holding	BVI	HK	Limited liability company	5 July 2016	US\$1 (2021: US\$ 1)	100% (2021: 100%)
<b>Indirectly held by the Company</b>							
Jinyueda Development Limited ("Jinyueda Development")	Investment holding	HK	HK	Limited liability company	11 August 2017	US\$1 (2021: US\$ 1)	100% (2021: 100%)
Victor Best Investment Limited ("Victor Best Investment")	Investment holding	HK	HK	Limited liability company	30 June 2016	US\$1 (2021: US\$ 1)	100% (2021: 100%)
常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.)* ("Changzhou Jingang")	Investment holding	PRC	PRC	Limited liability company	9 December 2017	RMB1,000,000 (2021: RMB1,000,000)	100% (2021: 100%)
常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.)* ("Changzhou Jintai")	Investment holding	PRC	PRC	Limited liability company	8 December 2017	RMB1,000,000 (2021: RMB1,000,000)	99% (2021: 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 (2021: RMB130,800,000)	99.54% (2021: 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")	Dormant	PRC	PRC	Limited liability company	13 October 2021	RMB1,000,000 (2021: RMB1,000,000)	100% (2021: 100%)
佳辰碳中和科技常州有限公司 (Jiachen Carbon Neutral Technology (Changzhou) Company Limited)* ("Jiachen Carbon Neutral")	Dormant	PRC	PRC	Limited liability company	18 October 2021	RMB1,000,000 (2021: RMB1,000,000)	100% (2021: 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 2022, directly hold 46.48% (2021: 46.48%) and 53.52% (2021: 53.52%) of the registered capital of JiaChen Floor, respectively.

JiaChen Floor is the core operating entity of the Group during the years ended 31 December 2022 and 2021.

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 2022 and 2021.

## 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 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 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 2022 comprise the financial result of Company and its subsidiaries.

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

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

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

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

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

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

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

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

(e) (i) Business combinations or assets acquisitions

**Optional concentration test**

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.

### 3. Significant Accounting Policies (Continued)

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

**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).

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 Leases) 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.

### 3. Significant Accounting Policies (Continued)

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

**Business combinations (Continued)**

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.

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 does 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 Financial Instruments would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

### 3. Significant Accounting Policies (Continued)

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

#### **Business combinations (Continued)**

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.

- (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)).

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.

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.

- (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.

### 3. Significant Accounting Policies (Continued)

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

**(ii) Research and development expenditure**

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

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

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

(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 Revenue (see Note 3(l)).

**Measurement of ECLs**

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

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

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

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

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

ECLs are measured on either of the following bases:

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

### 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)**

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.

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

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

- |         |   |                                                                                                                                                                                                                                      |
|---------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs                                               |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |

### 3. Significant Accounting Policies (Continued)

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

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

***Simplified approach***

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

***Significant increases in credit risk***

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

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

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

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

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.

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.

### 3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

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

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.

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 Revenue.

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.

### 3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

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

- (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 2022 and 2021, no after-sale repair service was rendered by the Group.

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. 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.

### 3. Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

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

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

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

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

**(ii) Interest income**

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

**(iii) Government grants and subsidies**

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

(u) Borrowing costs

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

(v) Translation of foreign currencies

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

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

### 3. Significant Accounting Policies (Continued)

(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.

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

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

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

### 3. Significant Accounting Policies (Continued)

(y) Segment reporting

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

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

### 4. Accounting Estimates and Judgements

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

(a) Judgement

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

(i) **Tax**

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

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

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

#### 4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty

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

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

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

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

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

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

#### 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)**

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 bad debt rates on the contract assets, trade and bills receivables at each reporting period ended 31 December 2014 to 2020 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.

The assessment of the correlation among historical observed bad debt loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual bad debt loss in the future. The information about the ECLs on the Group's contract assets and trade and bills receivables is disclosed in Note 22(b) to the consolidated financial statements.

#### 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 2022. 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.

#### 5. Operating Segment Information

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

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

(a) Segment results, assets and liabilities

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

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

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

## 5. Operating Segment Information (Continued)

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

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

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

**5. Operating Segment Information (Continued)**

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

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

## (c) Reconciliations of reportable assets and liabilities

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

## 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 years ended 31 December 2022 and 2021.

(e) Geographical information

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

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

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

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

**6. Revenue**

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

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

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

## 7. Other Revenue and Other Net Income

	2022 RMB'000	2021 RMB'000
Other revenue:		
Bank interest income	625	288
Other net income or loss:		
Government subsidies ( <i>Note below</i> )	825	685
Scrap sales	1,662	1,500
Net loss on disposal of property, plant and equipment	(201)	(490)
Exchange gain/(loss), net	1,431	(732)
Gain on lease termination ( <i>Note 17(c)</i> )	7	418
Bad debts recovered	148	1,630
Sundry income	43	12
	<b>3,915</b>	3,023
	<b>4,540</b>	3,311

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

## 8. Finance Costs

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

## 9. Profit Before Taxation

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

	2022 RMB'000	2021 RMB'000
Contract costs of goods sold and services rendered ( <i>Note (a)</i> )	<b>184,206</b>	212,457
Depreciation of property, plant and equipment ( <i>Note 15</i> )	<b>4,660</b>	4,547
Amortisation of right-of-use assets ( <i>Note 17</i> )	<b>102</b>	566
Amortisation of other intangible assets ( <i>Note 18</i> )	<b>46</b>	48
Amortisation of land use rights ( <i>Note 16</i> )	<b>543</b>	173
Impairment/(reversal of impairment) of trade and bills receivables ( <i>Note 22(b)</i> )	<b>3,394</b>	(480)
Impairment of contract assets ( <i>Note 21(a)(vi)</i> )	<b>1,596</b>	1,426
Impairment of contract assets and trade and bills receivables, net	<b>4,990</b>	946
Net loss on disposal of property, plant and equipment	<b>201</b>	490
Auditor's remuneration	<b>1,117</b>	996
Short-term operating lease charges in respect of properties and land use rights	<b>1,003</b>	198
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	<b>12,190</b>	11,880
– Contributions to defined contribution retirement plans	<b>2,866</b>	2,743
Research and development costs ( <i>Note (b)</i> )	<b>9,981</b>	12,111

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately RMB135,861,000 (2021: RMB169,677,000), staff costs of approximately RMB5,393,000 (2021: RMB5,084,000), installation costs of approximately RMB10,410,000 (2021: RMB11,257,000), transportation costs of approximately RMB10,652,000 (2021: RMB12,680,000), depreciation of property, plant and equipment of approximately RMB3,842,000 (2021: RMB3,866,000), amortisation of right-of-use assets of approximately RMB Nil (2021: RMB248,000) and short-term operating lease charges in respect of properties and land use rights of approximately RMB764,000 (2021: RMB157,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB5,356,000 (2021: RMB8,371,000), staff costs of approximately RMB2,324,000 (2021: RMB2,152,000) and depreciation of property, plant and equipment of approximately RMB487,000 (2021: RMB327,000), which were included in the respective total amounts disclosed above for each type of these expenses.

## 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 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

Pursuant to the PRC Income Tax Law and the respective regulations, all the subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax (“**CIT**”) at a rate of 25% on the taxable income. On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as “High Technology Enterprise”. Accordingly, JiaChen Floor was entitled to a preferential CIT rate of 15% for years ended 31 December 2022 and 2021. Changzhou Jintai 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 2022 and 2021, in accordance with the then applicable notice “Cai Shui [2015] Notice 119”, “Cai Shui [2018] Notice 99” and the new notice “Cai Shui [2021] Notice 13”, 100% (2021: 100%) of the Group’s qualifying research and development expenses were allowed, respectively, as additional deductions for the purposes of the CIT calculations. Details of the Group’s research and development expenses during the years ended 31 December 2022 and 2021 are disclosed in Note 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(c), at 31 December 2022 and 2021, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

**10. Income Tax (Continued)**

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

	2022 RMB'000	2021 RMB'000
Current tax – PRC Corporation Income Tax – Charge for the year	<b>1,606</b>	3,026
Deferred tax – Reversal and origination of temporary differences ( <i>Note 30(b)</i> )	<b>(749)</b>	245
	<b>857</b>	3,271

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	<b>11,604</b>	27,955
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	<b>3,158</b>	7,484
Effect of preferential income tax policy in the PRC	<b>(1,463)</b>	(3,378)
Tax effect of non-deductible expenses	<b>1,268</b>	961
Tax effect of non-taxable income	<b>(22)</b>	(62)
Tax effect for deduction on qualifying research and development expenses	<b>(1,335)</b>	(1,541)
Tax effect of other temporary differences not recognised	–	(438)
Tax effect of temporary differences recognised	<b>(749)</b>	245
Income tax expense for the year	<b>857</b>	3,271

## 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 years ended 31 December 2022 and 2021, which were included in the staff costs as disclosed in Note 9, are set out below:

	Year ended 31 December 2022				
	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Executive directors</b>					
Mr. Shen	–	240	20	–	260
Mr. Shen MH	–	240	20	74	334
Mr. Chen	–	242	20	19	281
Ms. Liu	–	168	14	50	232
<b>Independent non-executive directors</b>					
Mr. Xie Xing	97	–	–	–	97
Mr. Wang Li	111	–	–	–	111
Ms. Long Mei	103	–	–	–	103
	<b>311</b>	<b>890</b>	<b>74</b>	<b>143</b>	<b>1,418</b>

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

	Year ended 31 December 2021				
	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Executive directors</b>					
Mr. Shen	–	240	20	–	260
Mr. Shen MH	–	225	15	59	299
Mr. Chen	–	237	20	77	334
Ms. Liu	–	148	8	36	192
<b>Independent non-executive directors</b>					
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

- (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 years ended 31 December 2022 and 2021. 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 years ended 31 December 2022 and 2021.

**12. Emoluments of Five Highest Paid Individuals**

Of the five highest paid individuals of the Group, four (2021: four) are the directors of the Company, whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other one (2021: one) is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and other emoluments	513	499

## 12. Emoluments of Five Highest Paid Individuals (Continued)

The emoluments of the other one individual (2021: one individual) with the highest emoluments of the Group is within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil – HK\$1,000,000	1	1

## 13. Dividends

The Board of directors do not recommend the payment of any final dividend in respect for the years ended 31 December 2022 and 2021.

## 14. Earnings Per Share

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

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

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

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

## 15. Property, Plant and Equipment

	Leasehold buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>						
At 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 and 1/1/2022	<b>13,772</b>	<b>41,789</b>	<b>964</b>	<b>2,325</b>	<b>4,004</b>	<b>62,854</b>
Additions	-	1,273	3	52	25,383	26,711
Disposals	-	(13,660)	(5)	(69)	-	(13,734)
Transfer	-	2,288	-	-	(2,288)	-
At 31/12/2022	<b>13,772</b>	<b>31,690</b>	<b>962</b>	<b>2,308</b>	<b>27,099</b>	<b>75,831</b>
<b>Accumulated depreciation and impairment</b>						
At 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 and 1/1/2022	<b>6,422</b>	<b>24,023</b>	<b>837</b>	<b>1,484</b>	<b>-</b>	<b>32,766</b>
Charge for the year	654	3,765	34	207	-	4,660
Written back on disposal	-	(10,959)	(4)	(41)	-	(11,004)
At 31/12/2022	<b>7,076</b>	<b>16,829</b>	<b>867</b>	<b>1,650</b>	<b>-</b>	<b>26,422</b>
<b>Carrying amounts</b>						
At 31/12/2022	<b>6,696</b>	<b>14,861</b>	<b>95</b>	<b>658</b>	<b>27,099</b>	<b>49,409</b>
At 31/12/2021	7,350	17,766	127	841	4,004	30,088

- (a) As at 31 December 2022, the carrying amount of leasehold buildings with carrying amount of approximately RMB6,696,000 (2021: RMB7,350,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Notes 29(a) and 33.
- (b) During the year ended 31 December 2022, depreciation expense was charged to "cost of goods sold and services rendered", "selling expenses" and "administrative expenses", respectively as follow:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of goods sold and services rendered	3,842	3,866
Selling expenses	808	668
Administrative expenses	10	13
	<b>4,660</b>	4,547

## 16. Land Use Rights

	2022 RMB'000	2021 RMB'000
Beginning of the year	7,867	8,040
Addition (Note (c))	39,785	–
Amortisation	(543)	(173)
End of the year	47,109	7,867
Analysed for reporting purpose as:		
Current assets (Note 23)	969	173
Non-current assets	46,140	7,694
	47,109	7,867

*Notes:*

- (a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 45 to 50 (2021: 46) years at 31 December 2022.
- (b) As at 31 December 2022, the carrying amount of land use rights of approximately RMB7,694,000 (2021: RMB7,867,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Notes 29(a) and 33.
- (c) The land use rights on two parcels of land, as referred to in Note 19(b), were acquired by the Group during the year ended 31 December 2022 and the costs amounted to approximately RMB39,785,000 which comprised acquisition costs, costs of change in use of land, one-off compensation to the original land owner, and other direct costs of approximately RMB 27,730,000, RMB 8,635,000, RMB 2,018,000 and RMB1,402,000, respectively.

## 17. Right-of-Use Assets

	RMB'000
<b>Cost</b>	
At 1 January 2021	5,932
Addition	464
Derecognition upon lease termination	(5,932)
At 31 December 2021 and 1 January 2022	464
Addition	161
Derecognition upon lease termination	(398)
At 31 December 2022	227
<b>Accumulated depreciation and impairment</b>	
At 1 January 2021	5,401
Depreciation for the year	566
Derecognition upon lease termination	(5,780)
At 31 December 2021 and 1 January 2022	187
Depreciation for the year	102
Derecognition upon lease termination	(200)
At 31 December 2022	89
<b>Carrying amounts</b>	
At 31 December 2022	138
At 31 December 2021	277

**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 2022, depreciation expense was charged to "cost of goods sold and services rendered" and "selling expenses", respectively as follows:

	2022 RMB'000	2021 RMB'000
Cost of goods sold and services rendered	–	248
Selling expenses	102	318
	102	566

- (c) Upon the early termination of the leases during the year ended 31 December 2022, right-of-use assets with net carrying amount of approximately RMB198,000 (2021: RMB152,000), prepayment of lease payments of RMB Nil (2021: RMB635,000), and related lease liabilities of approximately RMB205,000 (2021: RMB1,205,000) were derecognised, resulting in a gain of approximately RMB7,000 (2021: RMB418,000), which was credited to profit or loss for the year ended 31 December 2022.

**18. Other Intangible Assets**

	Computer software RMB'000
<b>Cost</b>	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	238
<b>Accumulated amortisation and impairment</b>	
At 1 January 2021	144
Charge for the year	48
At 31 December 2021 and 1 January 2022	192
Charge for the year	46
At 31 December 2022	238
<b>Carrying amounts</b>	
At 31 December 2022	–
At 31 December 2021	46

## 19. Long-Term Deposits and Prepayments

	2022 RMB'000	2021 RMB'000
Prepayments for acquisition of property, plant and equipment (Note (a))	7,616	15,000
Deposits paid for acquisition of land use rights (Note (b))	–	23,142
	<b>7,616</b>	38,142

- (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. Subsequent to 31 December 2022 and up to the date of the approval of these consolidated financial statements, all the prepayment for property, plant and equipments have been settled towards the purchase costs of the property, plant and equipments. 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.

On 4 March 2022, the Group and the Local Government entered into a formal sale and purchase agreement pursuant to which the Group acquired a parcel of the land with area of approximately 35.67 mu at a consideration of RMB16,050,000 which was settled by the deposit paid by the Group.

On 12 October 2022, the Group and the Local Government entered into another formal sale and purchase agreement pursuant to which the Group acquired another parcel of the land with area of approximately 29.19 mu at a consideration of RMB11,680,000 which was settled by the remaining deposit paid and cash by the Group.

## 20. Inventories

	2022 RMB'000	2021 RMB'000
Raw materials	14,817	26,202
Finished goods	30,806	24,668
	<b>45,623</b>	50,870

**21. Contract Assets and Contract Liabilities**

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

## (a) Contract assets

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

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

- (i) As at 31 December 2022 and 2021, the contract assets represent the Group's rights to consideration for access flooring plates and/or installation services transferred to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the installed access flooring plates transferred by the Group, other than on passage of time. The contract assets are transferred to trade receivables when the rights to receipt of the consideration for performed obligations become unconditional and transfers out of contract assets to trade receivables were made.

For the contract assets at 31 December 2022 and 2021, there was no material dispute received from any of the Group's customers.

## 21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2022 RMB'000	2021 RMB'000
Beginning of the year	82,755	80,193
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) (Note 6)	227,270	274,920
– Value-added tax on revenue recognised (see Note below)	25,734	30,193
	<b>253,004</b>	305,113
Transferred to trade receivables when rights to payments became unconditional	<b>(242,479)</b>	(300,401)
Transferred to and offset by contract liabilities (Note 21(b))	<b>(2,385)</b>	(2,150)
End of the year	<b>90,895</b>	82,755

Note:

During the years ended 31 December 2022 and 2021, the considerations of those contracts entered into between the Group and the customers in the PRC were subject to value-added taxes (“VAT”), which are collected on behalf of the tax authorities and are excluded from the revenue recognised from performance obligations discharged by the Group, at the applicable rates at 13%.

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

**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:

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

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

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

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

**(iv) Retention monies receivable**

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

## 21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

**(iv) Retention monies receivable (Continued)**

At 31 December 2022, included in contract assets were retention monies receivable from the customers amounting to approximately RMB12,785,000 (2021: RMB11,930,000). The terms and conditions for the release of retention monies held by the customers vary from contract to contract. The retention monies receivable from the customers generally represent 3% to 10% of consideration of the relevant contracts, that are retained by the customers as protection for defects of the transferred access flooring plates and the Group's entitlement to payment of retention monies receivable are conditional upon the customers' final physical inspection of the quality of the transferred access flooring plates at the expiry of the respective product assurance warranty period of the relevant contracts. In the opinion of the directors of the Company, the retention monies retained by the customers under the relevant contracts are not intended as a financing arrangement by the Group to the customers.

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

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

There were no significant cost incurred in the past for those access flooring plates and/or installation services after sales during the product assurance type warranty period. At 31 December 2022, management of the Group was not aware of any material disputes or events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates and/or installation services sold to the customers.

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

**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:

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

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

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of the contracts. The Group's customers are mainly the large property developers and state-owned enterprises with high credit rating and their payment history with the Group are considered to be good. There was no material dispute or claim received from any of the customers of the relevant contracts and management of the Group considered that there has not been a significant change in credit quality of the customers. The Group concluded that the lifetime expected credit loss rates for trade and bills receivables are a reasonable approximation of the rates for lifetime ECLs for contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the net carrying amount of contract assets (after deduction of allowance for lifetime ECLs) are still considered fully recoverable at 31 December 2022 and 2021. The Group does not hold any collateral as security for the contract assets at 31 December 2022 and 2021.

At 31 December 2022 and 2021, management of the Group estimated the ECLs on contract assets based on the trend of the historic bad debt rates (Note 22(c)(i)) of contract assets, taking into account of the history and patterns of billings to and settlements from the customers, other factors specific to the customers and forward looking information, such as the expected economic conditions by reference to the forecasted 2023 Gross Domestic Products ("GDP") growth rate in the PRC, which may have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts. As referred in Note 22(b)), the rate of 5.78% (2021: 4.42% which was revised to 5.28%), was applied by management of the Group for making provision for the exposures to lifetime ECLs on contract assets at 31 December 2022.

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

## 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 2022 is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	3,656	2,230
Under/(over)-allowances of impairment losses in prior years (Note 22(b))	715	(333)
Impairment losses recognised	881	1,759
Charge for the year, net	1,596	1,426
At 31 December (Note 22 (c)(ii))	5,252	3,656

(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:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	3,080	3,870
Advance considerations received from customers	1,400	1,360
Revenue recognised that was included in the contract liabilities balance at the beginning of the year (Note 21(a)(ii))	(2,385)	(2,150)
At the end of the year	2,095	3,080

(c) Information about unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to the supply and installation of floor plates that are unsatisfied (or partially unsatisfied) as at 31 December 2022.

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

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

## 22. Trade and Bills Receivables

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

### Notes:

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

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

Analyses of the trade and bills receivables categorised by past due status, together with allowance for lifetime ECLs, at 31 December 2022 and 2021 are set out in Notes (b) and (c) below.

The Group grants a credit period ranging from 60 to 365 days to its customers. The Group does not hold any collaterals as security for the trade and bills receivables at 31 December 2022 and 2021. The trade and bills receivables are non-interest bearing.

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

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by the HKFRS 9 Financial Instruments, which permits the use of lifetime expected loss provision for contract assets and trade and bills receivables. To measure the lifetime ECLs on contract assets and trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, financial difficulties of the defaulted customers and other current conditions at the reporting period end, as adjusted for forward looking information, such as expected economic conditions by reference to the forecast of next year’s GDP in the PRC and subsequent settlements received from the customers after the respective reporting period ends.

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

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

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

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

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

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

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

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

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

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

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

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. At 31 December 2022, allowance for lifetime ECLs on trade and bills receivables amounted to approximately RMB29,908,000 (2021: RMB26,514,000) was made.

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

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

## 22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

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

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

There were under-allowance of approximately RMB715,000 and RMB120,000 for lifetime ECL on contract assets and trade and bills receivables at 31 December 2021 (see Notes 21(a)(vi) and 22(b)), respectively, which were recognised during the year ended 31 December 2022.

**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, financial difficulties of the defaulted customers and forward looking estimates, such as expected economic conditions after the reporting period end. At the reporting period end, the provision matrix of historical observed bad debt rates and the forward looking estimates are analysed and updated.
- (i) The matrix analysis of the Group's actual historic bad debt rates on the contract assets and trade and bills receivables at each of the reporting period ends of 2014 to 2021 (as updated for subsequent changes in estimates) and the expected rates for lifetime ECLs on contracts assets and trade and bills receivables at 31 December 2022 are as follows:

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

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

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

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

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECLs of the Group's contract assets and trade and bill receivables at 31 December 2022 and 2021 are reasonable and adequate.



**23. Deposits, Prepayments and Other Receivables**

	2022 RMB'000	2021 RMB'000
Contract performance deposits ( <i>Note (b) below</i> )	749	609
Tender deposits ( <i>Note (c) below</i> )	1,055	1,323
Prepayments for purchases of raw materials ( <i>Note (d) below</i> )	967	10,402
Deposits paid for the acquisition of plant and machinery	110	1,380
Deposits paid for electricity and nature gas	419	730
Refundable security deposit paid ( <i>Note (e) below</i> )	1,387	–
Prepayments ( <i>Note (f) below</i> )	1,140	607
Land use rights ( <i>Note 16</i> )	969	173
Rental deposits	308	273
Others – individually insignificant	780	510
	<b>7,884</b>	16,007
Allowance for 12 months expected credit losses: – Deposits paid for acquisition of plant and machinery	<b>(110)</b>	(110)
	<b>7,774</b>	15,897

*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. No provision for 12-month ECLs was recognised on these contract performance deposits during the years ended 31 December 2022 and 2021.
- (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. All the tender deposits paid for tender bids can be fully recoverable and no provision for 12-month ECLs was recognised during the years ended 31 December 2022 and 2021.

## 23. Deposits, Prepayments and Other Receivables (continued)

Notes: (Continued)

- (d) The prepayments for purchase of raw materials were paid to the independent suppliers in accordance with the relevant purchase contracts under which the raw materials were not yet delivered to the Group at 31 December 2022. Subsequent to 31 December 2022 and up to the date of the approval of these consolidated financial statements, approximately RMB551,000 out of these prepayments of approximately RMB967,000 at 31 December 2022 have been applied to settle towards the purchase costs of the raw materials when the control of raw materials were transferred from the suppliers to the Group. No provision for impairment was recognised on these prepayments for purchase of raw materials during the years ended 31 December 2022 and 2021.
- (e) These refundable deposits were paid to local government as security for the construction of new factories on the two parcels of land acquired by the Group as referred to Note 16.
- (f) The prepayments mainly comprised advanced payments for transportation and installation costs made to the independent service providers while the relevant services were not yet delivered to the Group due to some employees of the Group infected with Omicron variant of COVID-19 around 31 December 2022.

## 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

	2022 RMB'000	2021 RMB'000
Cash at banks	47,245	55,269
Denominated in:		
RMB	44,494	36,480
US\$	2,687	22
HK\$	64	18,767
Cash and cash equivalents	47,245	55,269

The cash at banks carried interest at market rates within the range from 0.30% to 0.35% (2021: 0.30% to 0.35%) per annum for the year ended 31 December 2022. 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

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

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

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

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

	2022 RMB'000	2021 RMB'000
Accounts payable for acquisition of property, plant and equipment	<b>27</b>	608
Accrued installation costs	<b>18,976</b>	14,430
Interest payable	<b>451</b>	451
Education and construction levies	<b>1,790</b>	1,260
Salaries and bonuses payable	<b>870</b>	635
Value-added tax payable	<b>10,119</b>	5,546
Other payables and accruals	<b>4,227</b>	4,056
	<b>36,460</b>	26,986

The carrying amounts of accruals and other payables at 31 December 2022 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

	2022 RMB'000	2021 RMB'000
Maturity analysis – contractual undiscounted cash flows:		
Less than 1 year	87	159
1 to 2 years	52	125
<b>Total undiscounted lease liabilities</b>	<b>139</b>	284
Analysed for reporting purpose as:		
Current liabilities	87	159
Non-current liabilities	52	125
	<b>139</b>	284

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 were as follows:

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

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

**29. Bank Borrowings (Continued)**

Notes:

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

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

- (b) At 31 December 2022, bank borrowings of RMB30,000,000 (2021: RMB10,000,000) was jointly guaranteed by an independent financial institution, Mr. Shen and his spouse, Ms. Zhang. Mr. Shen is an executive director of the Company. In the opinion of the directors of the Group, the estimated fair value of the financial guarantee is insignificant and accordingly, it is not recognised in the Group's financial statements.
- (c) At 31 December 2022, the Group had bank borrowings facilities totaling approximately RMB115,000,000 (2021: RMB90,000,000), which were utilised to the extent of approximately RMB79,990,000 (2021: RMB81,000,000) and the Group's available unused credit facilities amounted to approximately RMB35,010,000 (2020: RMB9,000,000).

**30. Income Tax in the Consolidated Statement of Financial Position**

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

	2022 RMB'000	2021 RMB'000
Current tax payable:		
At the beginning of the year	2,371	1,742
Provision for the year	1,606	3,026
Tax paid during the year	(1,095)	(2,397)
Tax payable	<b>2,882</b>	2,371

### 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:

	<b>Provision for asset impairment</b> <i>RMB'000</i>	<b>Other temporary differences</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2021	4,770	289	5,059
Credited to profit or loss	(245)	–	(245)
At 31 December 2021 and 1 January 2022	<b>4,525</b>	<b>289</b>	<b>4,814</b>
Charged to profit or loss	<b>749</b>	–	<b>749</b>
At 31 December 2022	<b>5,274</b>	<b>289</b>	<b>5,563</b>

(c) Deferred tax assets and liabilities not recognised:

At 31 December 2022 and 2021, 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 2022, the undistributed profits of JiaChen Floor, which is the key operating subsidiary of the Group in the PRC were approximately RMB143,197,000 (2021: RMB130,859,000) for which the potential deferred tax liabilities, in respect of withholding tax on dividends to be distributed by JiaChen Floor, of approximately RMB7,160,000 (2021: RMB6,543,000) 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 2022 and 2021.

### 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	RMB'000
<b>Authorised capital:</b>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	50,000	44,280
<b>Issued capital:</b>			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000,000	10,000	8,856

The Company was incorporated in the Cayman Islands on 7 July 2017 as an exempted company with limited liability. The owners of the shares of the Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(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		Share premium RMB'000 (Note (i))	Capital reserve RMB'000 (Note (ii))	Reserves		Subtotal RMB'000	Total RMB'000
	HKS'000 (Note (a))	RMB'000 (Note (a))			Contributed surplus RMB'000 (Note (iii))	Accumulated losses RMB'000		
<b>At 1 January 2021</b>	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)
<b>At 31 December 2021 and 1 January 2022</b>	<b>10,000</b>	<b>8,856</b>	<b>154,249</b>	<b>11,155</b>	<b>62,183</b>	<b>(15,162)</b>	<b>212,425</b>	<b>221,281</b>
Loss for the year	-	-	-	-	-	(2,968)	(2,968)	(2,968)
<b>At 31 December 2022</b>	<b>10,000</b>	<b>8,856</b>	<b>154,249</b>	<b>11,155</b>	<b>62,183</b>	<b>(18,130)</b>	<b>209,457</b>	<b>218,313</b>

**(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.

**(ii) Capital reserve of the Company**

The capital reserve of the Company represented the gain arising from the group reorganisation in 2018.

**(iii) Contributed surplus of the Company**

The contributed surplus represented the excess of the net assets of JiaChen Floor over the nominal value and share premium of the shares of the Company issued in exchange for a total of 99.01% of registered capital of JiaChen Floor which was indirectly transferred to the Company under the group reorganisation in 2018.

### 31. Share Capital and Reserves (Continued)

(e) Distributable reserves

At 31 December 2022, the distributable reserves of the Company amounted to approximately RMB209,457,000 (2021: RMB212,425,000).

During the years ended 31 December 2022 and 2021, 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 2021 and 2022, and up to the date of approval of the consolidated financial statements.

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

At 31 December 2022, a total of 1% (2021: 1%) and 0.4648% (2021: 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 2022 and 2021, has no material transactions and contributions to the operating results, cash flows, assets and liabilities of the Group for the years ended 31 December 2022 and 2021.

JiaChen Floor, being an indirect 99.5352% – owned subsidiary of the Company at 31 December 2022 and 2021, is the key operating entity of the Group during the years ended 31 December 2022 and 2021. 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 years ended 31 December 2022 and 2021 were mainly represented by that of JiaChen Floor, the financial statements of JiaChen Floor for the years ended 31 December 2022 and 2021 are not separately disclosed.

### 33. Pledge of Assets

As at 31 December 2022, the following assets of the Group were pledged for the Group's bank borrowings:

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

### 34. Commitments

(a) Operating lease commitments

**The Group as lessee**

At 31 December 2022, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its staff quarter falling due as follows:

	2022 RMB'000	2021 RMB'000
Within one year	817	815

(b) Capital commitments

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	2022 RMB'000	2021 RMB'000
Contracted but not provided for: – Property, plant and equipment	6,479	36,241

### 35. Related Party Transactions

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

### 35. Related Party Transactions (Continued)

(b) Amount due from a shareholder and director

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

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

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company 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:

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

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

### 36. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

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

	Financing activities		Total RMB'000
	Bank borrowings RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 28)	
<b>At 1 January 2021</b>	71,000	1,749	72,749
<b>Changes from financing cash flows:</b>			
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
<b>Other non-cash changes:</b>			
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
<b>At 31 December 2021 and 1 January 2022</b>	<b>81,000</b>	<b>284</b>	<b>81,284</b>
<b>Changes from financing cash flows:</b>			
Proceeds from new borrowings	90,090	–	90,090
Repayment of borrowings	(91,100)	–	(91,100)
Payment of lease liabilities	–	(101)	(101)
Interest paid	(3,446)	(16)	(3,462)
Total changes from financing cash flows	(4,456)	(117)	(4,573)
<b>Other non-cash changes:</b>			
Interest expenses	3,446	16	3,462
Addition of lease liabilities	–	161	161
Lease termination	–	(205)	(205)
Total other non-cash changes	3,446	(28)	3,418
<b>At 31 December 2022</b>	<b>79,990</b>	<b>139</b>	<b>80,129</b>

### 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Financial assets at amortised costs:</b>		
Trade and bills receivables	<b>150,358</b>	141,768
Amount due from a shareholder and director	–	1,331
Deposits and other receivables	<b>4,698</b>	4,714
Restricted bank deposits and cash and cash equivalents	<b>49,552</b>	58,030
<b>Total financial assets</b>	<b>204,608</b>	205,843
<b>Financial liabilities at amortised costs:</b>		
Trade and bills payables	<b>19,148</b>	17,980
Accruals and other payables	<b>36,460</b>	26,986
Lease liabilities	<b>139</b>	284
Bank borrowings	<b>79,990</b>	81,000
<b>Total financial liabilities</b>	<b>135,737</b>	126,250

### 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 2022, 4% (2021: 5%) and 17% (2021: 19%) 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 2022 and 2021. 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 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Contract assets	–	–	–	85,643	85,643
Trade and bills receivables	–	–	–	150,358	150,358
Financial assets included in deposits, prepayments and other receivables	4,698	–	–	–	4,698
Restricted bank deposits and cash and cash equivalents	49,552	–	–	–	49,552
	54,250	–	–	236,001	290,251

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

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Contract assets	–	–	–	79,099	79,099
Trade and bills receivables	–	–	–	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

**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 2022					Carrying amount RMB'000
	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	
Trade and bills payables	19,148	-	-	-	19,148	19,148
Accruals and other payables	36,460	-	-	-	36,460	36,460
Lease liabilities	94	54	-	-	148	139
Bank borrowings	81,737	-	-	-	81,737	79,990
	<b>137,439</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>137,493</b>	<b>135,737</b>

	As at 31 December 2021					Carrying amount RMB'000
	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	
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
	<b>128,034</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>128,164</b>	<b>126,250</b>

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, cash at banks, 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			
	2022		2021	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
<b>Fixed rate instruments:</b>				
Lease liabilities (Note 28)	4.75%–4.81%	139	4.81%	284
Bank borrowings (Note 29)	3.55%–4.70%	79,990	3.80%–4.80%	81,000
Less: Restricted bank deposits (Note 24)	0.30%–2.10%	(2,307)	0.30%–2.10%	(2,761)
Cash at banks (Note 25)	0.30%–0.35%	(47,245)	0.30%–0.35%	(55,269)
<b>Total net interest-bearing borrowings</b>		<b>30,577</b>		<b>23,254</b>

(ii) Sensitivity analysis

As at 31 December 2022, 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 RMB263,000 for the year ended 31 December 2022 (2021: RMB198,000).

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 2021.

**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.

	<b>Exposure to foreign currencies (expressed in Renminbi)</b>	
	<b>2022 RMB’000</b>	<b>2021 RMB’000</b>
<b>Exposure to US\$</b>		
Trade and other receivables	<b>4,672</b>	5,933
Cash and bank balances	<b>2,687</b>	22
<b>Exposure to HK\$</b>		
Cash and bank balances	<b>64</b>	18,767
	<b>7,423</b>	24,722

**(ii) Sensitivity analysis**

As at 31 December 2022, 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 RMB315,000 for the year ended 31 December 2022 (2021: RMB1,049,000).

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 2021.

### 38. Financial Risk Management and Fair Values (Continued)

(e) Concentration risk

During the year ended 31 December 2022, 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:		
– 2022	16.86	4.07
– 2021	19.69	7.04

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 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Lease liabilities	139	284
Bank borrowings	79,990	81,000
	<b>80,129</b>	81,284
Less: Cash and cash equivalents and restricted bank deposits	<b>(49,552)</b>	(58,030)
Net debt	<b>30,577</b>	23,254
Total equity	<b>307,102</b>	296,355
Debt-to-equity ratio	<b>9.96%</b>	7.85%

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 2022 and 2021.

**39. Company Level Statement of Financial Position**

	Notes	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>			
Interests in subsidiaries	2	215,040	215,040
<b>Current assets</b>			
Amount due from subsidiaries		4,958	4,833
Amount due from shareholders		—*	—*
Cash and cash equivalents		63	2,414
		5,021	7,247
<b>Total assets</b>		<b>220,061</b>	222,287
<b>Current liabilities</b>			
Accrual and other payables		1,748	1,006
<b>Net current assets</b>		<b>3,273</b>	6,241
<b>Net assets</b>		<b>218,313</b>	221,281
<b>Equity</b>			
Issued capital	31(a) and (d)	8,856	8,856
Reserves	31(d)	209,457	212,425
<b>Total equity</b>		<b>218,313</b>	221,281

\* Figures rounded to less than RMB1,000.

**40. Event After the Reporting Period**

There was no significant event subsequent to 31 December 2022 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 2022

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

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

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

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

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

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

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

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>RESULTS</b>					
Revenue	<b>227,270</b>	274,920	182,178	270,859	248,785
Gross profit	<b>43,064</b>	62,463	37,756	68,317	60,166
Profit before taxation	<b>11,604</b>	27,955	1,758	23,680	29,983
Income tax	<b>(857)</b>	(3,271)	(970)	(4,389)	(5,132)
Profit and total comprehensive income for the year	<b>10,747</b>	24,684	788	19,291	24,851
Attributable to:					
Owners of the Company	<b>10,683</b>	24,542	744	19,100	24,605
Non-controlling interests	<b>64</b>	142	44	191	246
	<b>10,747</b>	24,684	788	19,291	24,851
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>447,816</b>	428,056	395,795	359,481	319,841
Total liabilities	<b>(140,714)</b>	(131,701)	(124,124)	(189,776)	(169,427)
Non-controlling interests	<b>(1,364)</b>	(1,300)	(1,158)	(1,680)	(1,489)
Equity attributable to owners of the Company	<b>305,738</b>	295,055	270,513	168,025	148,925