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## **JiaChen Holding Group Limited**

**佳辰控股集團有限公司**

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

**(Stock Code: 1937)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of JiaChen Holding Group Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with comparative figures for the corresponding period in 2022 as follows:

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

	<i>Notes</i>	<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>87,310</b>	95,319
<b>Cost of sales</b>		<b>(71,106)</b>	(73,838)
<b>Gross profit</b>		<b>16,204</b>	21,481
Other revenue and other net income	5	<b>2,885</b>	2,783
Selling expenses		<b>(3,633)</b>	(2,339)
Impairment of contract assets and trade and bills receivables, net		<b>(353)</b>	(1,737)
Administrative expenses		<b>(9,394)</b>	(9,790)
<b>Profit from operations</b>		<b>5,709</b>	10,398
Finance costs	6	<b>(1,709)</b>	(1,767)
<b>Profit before taxation</b>	7	<b>4,000</b>	8,631
Income tax	8	<b>(930)</b>	(1,896)
<b>Profit and total comprehensive income for the period</b>		<b>3,070</b>	6,735
<b>Attributable to:</b>			
Owners of the Company		<b>3,047</b>	6,685
Non-controlling interests		<b>23</b>	50
<b>Profit and total comprehensive income for the period</b>		<b>3,070</b>	6,735
		<i>RMB cent</i>	<i>RMB cent</i>
<b>Earnings per share</b>			
Basic and diluted	10	<b>0.31</b>	0.67

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		58,273	49,409
Land use rights		45,869	46,140
Right-of-use assets		91	138
Long-term deposits and prepayments		7,616	7,616
Deferred tax assets		5,563	5,563
		117,412	108,866
<b>Current assets</b>			
Inventories		57,668	45,623
Contract assets	11	91,408	85,643
Trade and bills receivables	12	108,315	150,358
Deposits, prepayments and other receivables		14,954	7,774
Restricted bank deposits		2,771	2,307
Cash and cash equivalents		98,908	47,245
		374,024	338,950
<b>Total assets</b>		491,436	447,816
<b>Current liabilities</b>			
Trade payables	13	23,169	19,148
Contract liabilities	14	3,584	2,095
Accruals and other payables		23,151	36,460
Lease liabilities		82	87
Bank borrowings		129,990	79,990
Tax payable		1,278	2,882
		181,254	140,662
<b>Net current assets</b>		192,770	198,288
<b>Total assets less current liabilities</b>		310,182	307,154

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<u>10</u>	<u>52</u>
<b>Net assets</b>		<b><u>310,172</u></b>	<b><u>307,102</u></b>
<b>Equity</b>			
Share capital	15	8,856	8,856
Reserves		<u>299,929</u>	<u>296,882</u>
<b>Equity attributable to owners of the Company</b>		<b>308,785</b>	305,738
Non-controlling interests		<u>1,387</u>	<u>1,364</u>
<b>Total equity</b>		<b><u>310,172</u></b>	<b><u>307,102</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
<b>At 1 January 2022 (Audited)</b>	8,856	154,249	1,577	14,375	115,998	295,055	1,300	296,355
Profit and total comprehensive income for the period	-	-	-	-	6,685	6,685	50	6,735
Transfer to statutory reserve	-	-	-	898	(898)	-	-	-
<b>At 30 June 2022 (Unaudited)</b>	<u>8,856</u>	<u>154,249</u>	<u>1,577</u>	<u>15,273</u>	<u>121,785</u>	<u>301,740</u>	<u>1,350</u>	<u>303,090</u>
<b>At 1 January 2023 (Audited)</b>	8,856	154,249	1,577	15,476	125,580	305,738	1,364	307,102
Profit and total comprehensive income for the period	-	-	-	-	3,047	3,047	23	3,070
Transfer to statutory reserve	-	-	-	508	(508)	-	-	-
<b>At 30 June 2023 (Unaudited)</b>	<u>8,856</u>	<u>154,249</u>	<u>1,577</u>	<u>15,984</u>	<u>128,119</u>	<u>308,785</u>	<u>1,387</u>	<u>310,172</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Net cash generated from operating activities</b>	<b>13,403</b>	44,839
<b>Investing activities</b>		
Payment for acquisition of property, plant and equipment	(10,542)	(8,933)
Payment for acquisition of land use rights	–	(16,546)
Proceeds from disposal of property, plant and equipment	–	189
Refund of deposit paid for acquisition of land use rights	–	10,699
Deposit of restricted bank deposits	(464)	(1,583)
Interest received	1,017	298
<b>Net cash used in investing activities</b>	<b>(9,989)</b>	(15,876)
<b>Financing activities</b>		
Repayment of bank borrowings	–	(6,010)
Proceeds from bank borrowings	50,000	–
Repayment of lease liabilities	(46)	(90)
Interest paid	(1,705)	(1,760)
<b>Net cash generated from/(used in) financing activities</b>	<b>48,249</b>	(7,860)
<b>Net increase in cash and cash equivalents</b>	<b>51,663</b>	21,103
<b>Cash and cash equivalents at beginning of the period</b>	<b>47,245</b>	55,269
<b>Cash and cash equivalents at end of the period</b>	<b>98,908</b>	76,372

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

### 1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services in the PRC. During the Period, the principal business was carried out through JiaChen Floor Changzhou Co., Ltd. ("**JiaChen Floor**"), which is an indirect non wholly-owned subsidiary of the Company incorporated in the PRC.

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

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the annual report of the Group for the year ended 31 December 2022.

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

### 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below:

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

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue from external customers	<b>73,328</b>	84,749	<b>13,982</b>	10,570	<b>87,310</b>	95,319
Reportable segment gross profit	<b>13,734</b>	18,702	<b>2,470</b>	2,779	<b>16,204</b>	21,481
Reportable segment results	<b>4,670</b>	9,113	<b>513</b>	1,366	<b>5,183</b>	10,479

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

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	<b>283,382</b>	262,955	<b>102,980</b>	133,185	<b>386,362</b>	396,140
Reportable segment liabilities	<b>161,273</b>	123,341	<b>14,776</b>	12,678	<b>176,049</b>	136,019

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Reportable segment total revenue and consolidated revenue	<b>87,310</b>	95,319
<b>Profit or loss</b>		
Reportable segment results	<b>5,183</b>	10,479
Unallocated other revenue	<b>1,017</b>	298
Unallocated head office and corporate expenses	<b>(491)</b>	(379)
Unallocated finance costs	<b>(1,709)</b>	(1,767)
Consolidated profit before taxation	<b>4,000</b>	8,631

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>Assets</b>		
Reportable segment assets	386,362	396,140
Unallocated head office and corporate assets	105,074	51,676
	<hr/>	<hr/>
Consolidated total assets	<b>491,436</b>	447,816
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Reportable segment liabilities	176,049	136,019
Unallocated head office and corporate liabilities	5,215	4,695
	<hr/>	<hr/>
Consolidated total liabilities	<b>181,264</b>	140,714
	<hr/> <hr/>	<hr/> <hr/>

(d) **Geographical information**

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

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PRC	77,332	81,369
Hong Kong	–	6,044
Other countries and regions ( <i>Note</i> )	9,978	7,906
	<hr/>	<hr/>
	<b>87,310</b>	95,319
	<hr/> <hr/>	<hr/> <hr/>

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

#### 4. REVENUE

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers by types of performance:		
– Sales of access flooring plates	<b>82,304</b>	89,878
– Provision of installation services	<b>5,006</b>	5,441
	<b>87,310</b>	95,319
	<b>87,310</b>	95,319
Analysis of revenue by types of contracts:		
– Sales of access flooring plates and provision of installation services	<b>71,447</b>	73,336
– Sales of access flooring plates	<b>15,853</b>	21,884
– Provision of installation services	<b>10</b>	99
	<b>87,310</b>	95,319
	<b>87,310</b>	95,319

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue recognised over time:		
– Sales of access flooring plates	<b>66,451</b>	67,994
– Provision of installation services	<b>5,006</b>	5,441
	<b>71,457</b>	73,435
Revenue recognised at a point in time		
– Sales of access flooring plates	<b>15,853</b>	21,884
	<b>87,310</b>	95,319
	<b>87,310</b>	95,319

## 5. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other revenue</b>		
Bank interest income	<u>1,017</u>	<u>298</u>
<b>Other net income</b>		
Government subsidies	948	740
Scrap sales	834	797
Net loss on disposal of property, plant and equipment	–	(46)
Exchange gain/(loss), net	83	994
Sundry income	<u>3</u>	<u>–</u>
	<u>1,868</u>	<u>2,485</u>
	<u><b>2,885</b></u>	<u><b>2,783</b></u>

## 6. FINANCE COSTS

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,705	1,760
Unwinding of finance costs on lease liabilities	<u>4</u>	<u>7</u>
	<u>1,709</u>	<u>1,767</u>
	<u><b>1,709</b></u>	<u><b>1,767</b></u>

## 7. PROFIT BEFORE TAXATION

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Contract costs of goods sold and services rendered ( <i>Note (a)</i> )	<b>71,106</b>	73,838
Depreciation of property, plant and equipment	<b>1,518</b>	2,151
Amortisation of right-of-use assets	<b>47</b>	92
Amortisation of other intangible assets	–	23
Amortisation of land use rights	<b>271</b>	86
Net loss on disposal of property, plant and equipment	–	46
Operating lease charges in respect of properties and land use rights	<b>217</b>	91
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	<b>7,197</b>	5,496
– Contributions to defined contribution retirement plans	<b>1,367</b>	1,382
	<b>8,564</b>	6,878
Research and development costs ( <i>Note (b)</i> )	<b>4,237</b>	4,147

*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 RMB49,411,000 (six months ended 30 June 2022: RMB54,778,000), staff costs of approximately RMB2,751,000 (six months ended 30 June 2022: RMB2,202,000), installation costs of approximately RMB4,163,000 (six months ended 30 June 2022: RMB4,446,000), transportation costs of approximately RMB4,544,000 (six months ended 30 June 2022: RMB5,520,000), and depreciation of property, plant and equipment of approximately RMB1,349,000 (six months ended 30 June 2022: RMB1,978,000), 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 RMB2,179,000 (six months ended 30 June 2022: RMB2,402,000), staff cost of approximately RMB1,392,000 (six months ended 30 June 2022: RMB1,146,000) and depreciation of property, plant and equipment of approximately RMB160,000 (six months ended 30 June 2022: RMB256,000), of which, their respective total amounts were disclosed above for each type of these expenses.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
PRC Corporation Income Tax		
– Charge for the period	<b>930</b>	1,896

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

No provision for the Hong Kong Profits Tax has been made as the Group had no taxable income derived in Hong Kong during the six months ended 30 June 2023 and 2022.

The Group's subsidiaries incorporated in the British Virgin Islands had no assessable profits derived in Hong Kong during the six months ended 30 June 2023 and 2022.

Pursuant to the PRC Income Tax Law and the respective regulations, all the subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on the taxable income. On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as “High Technology Enterprise”. Accordingly, JiaChen Floor was entitled to a preferential CIT rate of 15% on its taxable profit. The other subsidiaries of the Group established in the PRC are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits. However, none of these other subsidiaries had taxable profits since their respective dates of establishment.

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

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the six months ended 30 June 2023 and 2022 is based on the following data:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings for the purpose of basic earnings per share</b>		
Profit for the period attributable to owners of the Company	<b>3,047</b>	<b>6,685</b>
	<b>'000</b>	<b>'000</b>
<b>Number of ordinary shares</b>		
Number of ordinary shares at the beginning and the end of the reporting period and the weighted average number of shares	<b>1,000,000</b>	<b>1,000,000</b>

Basic earnings per share for the Period amounted to RMB0.31 cent (six months ended 30 June 2022: RMB0.67 cent) 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 periods.

## 11. CONTRACT ASSETS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Rights to consideration for obligations performed on contracts in progress	84,257	78,110
Retention monies receivable on completed contracts	<u>12,756</u>	<u>12,785</u>
	<b>97,013</b>	90,895
Less: Allowance for lifetime expected credit losses (“ECLs”)	<u>(5,605)</u>	<u>(5,252)</u>
	<b><u>91,408</u></b>	<b><u>85,643</u></b>

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

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 month	14,721	14,972
1 to 3 months	16,506	7,404
3 to 6 months	7,104	16,952
6 to 9 months	13,910	11,080
9 to 12 months	11,707	3,909
1–2 years	25,296	32,561
Over 2 years	<u>7,769</u>	<u>4,017</u>
	<b><u>97,013</u></b>	<b><u>90,895</u></b>

## 12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	133,240	175,490
Bills receivables	<u>4,983</u>	<u>4,776</u>
	138,223	180,266
Less: Allowance for lifetime ECLs	<u>(29,908)</u>	<u>(29,908)</u>
	<b><u>108,315</u></b>	<b><u>150,358</u></b>

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

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 month	28,589	57,158
1 to 3 months	17,564	25,490
3 to 6 months	9,585	9,474
6 to 9 months	31,251	15,118
9 to 12 months	1,543	10,332
1–2 years	9,222	25,178
Over 2 years	<u>10,561</u>	<u>7,608</u>
	<b><u>108,315</u></b>	<b><u>150,358</u></b>

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

### 13. TRADE PAYABLES

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

	As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 months	19,955	16,297
1 to 3 months	2,362	1,738
3 to 6 months	435	729
Over 6 months	417	384
	<u>23,169</u>	<u>19,148</u>

Trade payables are non-interest bearing and have a credit term ranging from 30 to 60 days after invoice date.

### 14. CONTRACT LIABILITIES

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

The movements in contract liabilities are set out below:

	As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
At the beginning of the reporting period	2,095	3,080
Advance considerations received from customers	2,154	1,400
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>(665)</u>	<u>(2,385)</u>
At the end of the reporting period	<u>3,584</u>	<u>2,095</u>

## 15. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2023 '000 (Unaudited)	As at 31 December 2022 '000 (Audited)	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<b>5,000,000</b>	5,000,000	<b>44,280</b>	44,280
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	<b>1,000,000</b>	1,000,000	<b>8,856</b>	8,856

## 16. MATERIAL RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and other emoluments	551	615
Post-employment benefits	52	54
	<b>603</b>	<b>669</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review and Prospect

The Group is principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services with the headquarters based in Changzhou City, Jiangsu Province, the 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, in longer term, is expected to increase at a steady rate in the PRC due to the growth in the continuous investments in new office buildings and growing construction area of industrial land. This steady growth trend is mainly attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in China; (ii) an increase in the number of aging office buildings in China with the retirement of more and more obsolete access flooring products units; (iii) more stringent policies adopted by the PRC Government, stimulating an expected increase in the demand for access flooring products; (iv) a growth in price of access flooring products as a result of increasing raw materials prices; and (v) increasing penetration rate of calcium-sulfate access flooring products due to its high performance.

Despite the favourable factors mentioned above, the Group's total revenue for the Period, however, witnessed a decrease of approximately 8.4% to approximately RMB87.3 million, compared with approximately RMB95.3 million for the corresponding six months in 2022. Attributed to the escalating debt issues in the real state sector of the PRC which signalled potential economic concerns resulting in the slowdown in the economic activities of the commercial building construction industry, the Group resolved to reduce its product selling prices in order to maintain its competitive edge and therefore had to suffer from reduction in total revenue for the Period. The fall back of the total revenue has also led to the reduction in gross profit and net profit of the Group from approximately RMB 21.5 million and approximately RMB 6.7 million respectively for the six months ended 30 June 2022 to approximately RMB 16.2 million and approximately RMB 3.1 million respectively for the Period.

In the first half of 2023, China grappled with economic recovery from the COVID-19 pandemic, with its real estate sector facing escalating debt issues, indicating potential economic challenges. Key indicators, such as declining export figures by 14.5% year-on-year in July 2023 and negative growth in the consumer price index, suggest a potential deflationary risk. Major real estate entities are dealing with a debt crisis involving missed bond payments, sparking fears of potential defaults. These challenges, compounded by a downturn in apartment sales and rising youth unemployment, intensify the economic pressures on the country and our industry. However, the report from International Data Corporation highlights a 12.7% growth in China's data center service market in 2022, which is expected to grow at a compound rate of 18.9% over the next five years, reaching RMB 307.5 billion by 2027. This growth correlates with increased demand for data center buildings and our access flooring products which are well known for efficient cable management, quick installation, high compressive strength, fire-resistance, and high load-bearing capacity. These products are ideally positioned to cater for this expanding market and would enhance the Group to a stronger position to meet the rising demand.

Despite recent economic challenges, the Board maintains an optimistic outlook on the long term prospect of the access flooring products industry and the Group's operations. Recognizing the growth potential in the data center service market and the increasing demand for our products, we remain confident. The Group will continue to prioritize resources to enhance product recognition, improve product technology, and upgrade production lines. This approach aims to maintain effective cost and liquidity control, bolstering our competitiveness in the market. Our resolve to navigate these temporary setbacks remains steadfast, reinforcing our positive long term perspective.

### Sales Analysis

The Group posted a consolidated revenue of approximately RMB87.3 million for the Period, representing a decrease of approximately RMB8.0 million or 8.4% as compared to the six months ended 30 June 2022. The decrease in sales revenue for steel access flooring products mainly contributed to the reduction in the consolidated revenue of the Group.

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

	For the six months ended			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Steel access flooring products	<b>73,328</b>	<b>84.0</b>	84,749	88.9
Calcium-sulfate access flooring products	<b>13,982</b>	<b>16.0</b>	10,570	11.1
<b>Total</b>	<b>87,310</b>	<b>100.0</b>	95,319	100.0

Sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 84.0% of the total revenue for the Period. Revenue derived from sales of steel access flooring products decreased by 13.5% from approximately RMB84.7 million for the six months ended 30 June 2022 to approximately RMB73.3 million for the Period. This was mainly attributable to the reduction of selling prices so as to maintain the competitiveness of the Group's products in view of the slowdown of the economic activities in the commercial building construction industry in the PRC.

Revenue derived from sales of calcium-sulfate access flooring products increased substantially by 32.3% from approximately RMB10.5 million for the six months ended 30 June 2022 to approximately RMB14.0 million for the Period. This was mainly attributable to the stronger demand for calcium-sulfate access flooring products from certain high-end customers, in particular constructors of data centres.

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

	<b>For the six months ended</b>			
	<b>30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Sales</b>	<b>Average</b>	<b>Sales</b>	<b>Average</b>
	<b>volume</b>	<b>unit</b>	<b>volume</b>	<b>unit</b>
	<b>million m<sup>2</sup></b>	<b>selling</b>	<b>million m<sup>2</sup></b>	<b>selling</b>
		<b>price</b>		<b>price</b>
		<b>RMB/m<sup>2</sup></b>		<b>RMB/m<sup>2</sup></b>
Steel access flooring products	<b>0.56</b>	<b>130.9</b>	0.56	151.3
Calcium-sulfate access flooring products	<b>0.08</b>	<b>174.8</b>	0.05	211.4
<b>Total</b>	<b>0.64</b>		0.61	

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

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

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

	<b>For the six months ended</b>			
	<b>30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	77,332	88.6	81,369	85.4
Hong Kong	–	–	6,044	6.3
Other countries and regions	<u>9,978</u>	<u>11.4</u>	<u>7,906</u>	<u>8.3</u>
<b>Total</b>	<b><u>87,310</u></b>	<b><u>100.0</u></b>	<b><u>95,319</u></b>	<b><u>100.0</u></b>

For both of the six months ended 30 June 2023 and 2022, the Group's products were mainly sold in the PRC and to a lesser extent exported to overseas markets such as Thailand, Malaysia, Taiwan and Singapore, etc.

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

	<b>For the six months ended</b>			
	<b>30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Gross profit <i>RMB'000</i></b>	<b>Gross profit margin %</b>	<b>Gross profit <i>RMB'000</i></b>	<b>Gross profit margin %</b>
Steel access flooring products	13,734	18.7	18,702	22.1
Calcium-sulfate access flooring products	<u>2,470</u>	<u>17.7</u>	<u>2,779</u>	<u>26.3</u>
<b>Total</b>	<b><u>16,204</u></b>	<b><u>18.6</u></b>	<b><u>21,481</u></b>	<b><u>22.5</u></b>

The gross profit from steel access flooring products accounted for the majority of the gross profit of the Group for both of the six months ended 30 June 2023 and 2022. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The reduction in the gross profit margin of both steel access flooring products and calcium-sulfate access flooring products was mainly due to the reduction of product selling prices in order to maintain product competitiveness.

## **Operating Costs and Expenses**

Selling and distribution expenses increased substantially by approximately RMB1.3 million, representing a 55.3% increase to approximately RMB3.6 million for the Period from approximately RMB2.3 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in staff costs and travelling expense.

Administrative expenses decreased by approximately RMB0.4 million, representing a 4.0% decrease to approximately RMB9.4 million for the Period from approximately RMB9.8 million for the six months ended 30 June 2022. The reduction was mainly attributable to the decrease in service fees.

Finance costs of approximately RMB 1.8 million remained almost unchanged for both of the six months ended 30 June 2023 and 2022.

## **Operating Results**

Profit for the Period decreased by approximately 54.4% from approximately RMB6.7 million for the six months ended 30 June 2022 to approximately RMB3.1 million for the Period. The reduction was mainly attributable to the reduction in total revenue by approximately 8.4% from approximately RMB95.3 million for the six months ended 30 June 2022 to approximately RMB87.3 million for the Period and in gross profit margin by 3.9 percentage points from 22.5% for the six months ended 30 June 2022 to 18.6% for the Period.

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

The Group funds its business and working capital requirements by using a balanced mix of internal resources and bank borrowings. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 30 June 2023, the Group held total assets of approximately RMB491.4 million (31 December 2022: approximately RMB447.8 million), including contract assets of approximately RMB91.4 million (31 December 2022: approximately RMB85.6 million), trade and bills receivables of approximately RMB108.3 million (31 December 2022: approximately RMB150.4 million) and cash and cash equivalents of approximately RMB98.9 million (31 December 2022: approximately RMB47.2 million). The Group's cash and cash equivalents were mainly denominated in RMB and United States dollars.

As at 30 June 2023, the Group had total liabilities of approximately RMB181.3 million (31 December 2022: RMB140.7 million) which mainly comprise of bank borrowings amounting to approximately RMB130.0 million (31 December 2022: RMB80.0 million). The Group's bank borrowings were denominated in RMB and bearing interest at the rates ranging from 3.5% to 4.7% (31 December 2022: 3.6% to 4.7%).

As at 30 June 2023, the gearing ratio, expressed as a percentage of total borrowings and lease liabilities over total equity, was approximately 41.9% (31 December 2022: 26.1%).

## **Contingent Liabilities**

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

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

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

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

## **Charge on Group Assets**

As at 30 June 2023, the Group had the following charges on its assets:

- (a) Bank borrowings totaling approximately RMB41.0 million (31 December 2022: approximately RMB41.0 million) were secured by the following assets:
  - (i) land use rights with a carrying value of approximately RMB7.6 million as at 30 June 2023 (31 December 2022: approximately RMB7.7 million);
  - (ii) leasehold buildings with a carrying value of approximately RMB6.4 million as at 30 June 2023 (31 December 2022: approximately RMB6.7 million); and
- (b) Restricted bank deposits of approximately RMB2.8 million (31 December 2022: approximately RMB2.3 million) were pledged as security for issuing commercial bills to suppliers.

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

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Period.

## **Significant Investments Held**

During the Period, the Group did not hold any significant investments.

## **Employees and Remuneration Policies**

As at 30 June 2023, the Group had 179 employees (31 December 2022:175). The total staff costs including directors' remuneration for the six months ended 30 June 2023 were approximately RMB8.6 million (six months ended 30 June 2022: approximately RMB6.9 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decision with respect to salary increment and promotions.

## **Cash Flows**

The Group reported net cash inflow from operating activities of approximately RMB13.4 million for the Period as compared to that of approximately RMB44.8 million for the six months ended 30 June 2022. The decrease in net cash inflow from operating activities was mainly attributable to the decrease in cash inflow from working capital during the Period.

The Group reported net cash outflow from investing activities of approximately RMB10.0 million for the Period as compared to that of approximately RMB15.9 million for the six months ended 30 June 2022. The decrease in net cash outflow from investing activities was mainly attributable to the significant decrease in payment for acquisition of land use rights.

The Group reported net cash inflow of approximately RMB48.2 million from financing activities for the Period as compared to the net cash outflow of approximately RMB7.9 million for the six months ended 30 June 2022. The swing from cash outflow to cash inflow in respect of the financing activities was mainly due to the proceeds received from the bank borrowings of approximately RMB50.0 million during the Period.

## **Dividend**

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: Nil).

## Business Objectives and Implementation Plan

An analysis comparing the business objectives set out in the prospectus of the Company dated 31 December 2019 with the Group's actual implementation progress up to 30 June 2023 is set out as follows:

Business Strategies	Planned use of proceeds		Actual use of proceeds up to 31 December 2022	Amount utilised during the Period	Unutilised amount as at 30 June 2023	Expected timeframe for the utilisation of the remaining balance
	HK\$'M	%	HK\$'M	HK\$'M	HK\$'M	
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	21.9	–	–	N/A
– Installation of five additional production lines	26.9	31.4	23.6	3.3	–	N/A
– Installation of environmental-friendly and energy-saving facilities and equipment	2.2	2.6	0.2	0.65	1.35	Installation for the first batch of environmental-friendly and energy-saving facilities and equipment has been completed by the end of May 2023. The remaining portion of environmental-friendly and energy-saving facilities and equipment is expected to be installed by the end of 2024.

Business Strategies	Planned use of proceeds		Actual use of proceeds up to 31 December 2022	Amount utilised during the Period	Unutilised amount as at 30 June 2023	Expected timeframe for the utilisation of the remaining balance
	HK\$'M	%	HK\$'M	HK\$'M	HK\$'M	
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.9	5.1	–	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.8	5.0	–	–	N/A
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 utilization of the factory buildings. The unutilised amount as at 30 June 2023 is anticipated to be utilised by the end of March 2025
5. Working capital and general corporate purposes	1.5	1.7	1.5	–	–	N/A
Total	<u>85.8</u>	<u>100.0</u>	<u>78.2</u>	<u>3.95</u>	<u>3.65</u>	

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

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

Details of the material related party transactions are set out in note 16 of this announcement. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

## **COMPETING INTERESTS**

The Directors confirm that none of the Directors or any of their respective close 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 during the Period.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **CORPORATE GOVERNANCE CODE**

The Directors consider that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no other material subsequent event undertaken by the Company or the Group after 30 June 2023 and up to the date of this announcement.

## **AUDIT COMMITTEE**

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

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

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

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

Changzhou, the People’s Republic of China, 29 August 2023

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

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