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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **RESULTS**

The board of directors (the “**Directors**” and the “**Board**”, respectively) presents the consolidated financial results of JiaChen Holding Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

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

*For the year ended 31 December 2023*

		<b>2023</b>	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>235,248</b>	227,270
Cost of sales		<u>(190,508)</u>	<u>(184,206)</u>
<b>Gross profit</b>		<b>44,740</b>	43,064
Other revenue and other net income	5	<b>5,510</b>	4,540
Selling expenses		<b>(9,459)</b>	(7,178)
Impairment of contract assets and trade and bills receivables, net		<b>(7,575)</b>	(4,990)
Administrative expenses		<u>(23,393)</u>	<u>(20,370)</u>
Profit from operations		<b>9,823</b>	15,066
Finance costs	7	<u>(3,400)</u>	<u>(3,462)</u>
<b>Profit before taxation</b>	8	<b>6,423</b>	11,604
Income tax	9	<u>(488)</u>	<u>(857)</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>5,935</u></b>	<b><u>10,747</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>5,890</b>	10,683
Non-controlling interests		<u>45</u>	<u>64</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>5,935</u></b>	<b><u>10,747</u></b>
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Earnings per share</b>			
Basic and diluted earnings per share	10	<b><u>0.59</u></b>	<b><u>1.07</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>70,183</b>	49,409
Land use rights		<b>46,190</b>	46,140
Right-of-use assets		<b>91</b>	138
Other intangible assets		–	–
Long-term deposits and prepayments		<b>3,968</b>	7,616
Deferred tax assets		<b>6,699</b>	5,563
		<u><b>127,131</b></u>	<u>108,866</u>
<b>Current assets</b>			
Inventories		<b>50,011</b>	45,623
Contract assets		<b>80,949</b>	85,643
Trade and bills receivables	11	<b>164,918</b>	150,358
Deposits, prepayments and other receivables		<b>13,679</b>	7,774
Restricted bank deposits		<b>4,561</b>	2,307
Cash and cash equivalents		<b>41,881</b>	47,245
		<u><b>355,999</b></u>	<u>338,950</u>
<b>Total assets</b>		<u><b>483,130</b></u>	<u>447,816</u>
<b>Current liabilities</b>			
Trade payables	12	<b>33,283</b>	19,148
Contract liabilities		<b>3,468</b>	2,095
Accruals and other payables		<b>40,113</b>	36,460
Amount due to a director		<b>322</b>	–
Lease liabilities		<b>86</b>	87
Bank borrowings	13	<b>90,990</b>	79,990
Tax payable		<b>1,824</b>	2,882
		<u><b>170,086</b></u>	<u>140,662</u>
<b>Net current assets</b>		<u><b>185,913</b></u>	<u>198,288</u>
<b>Total assets less current liabilities</b>		<u><b>313,044</b></u>	<u>307,154</u>

	<b>2023</b>	2022
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<u>7</u>	<u>52</u>
<b>Net assets</b>	<b><u>313,037</u></b>	<b><u>307,102</u></b>
<b>Equity</b>		
Share capital	<b>8,856</b>	8,856
Reserves	<b><u>302,772</u></b>	<u>296,882</u>
<b>Equity attributable to owners of the Company</b>	<b>311,628</b>	305,738
Non-controlling interests	<u>1,409</u>	<u>1,364</u>
Total equity	<b><u>313,037</u></b>	<b><u>307,102</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to owners of the Company						Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>At 1 January 2022</b>	8,856	154,249	1,577	14,375	115,998	295,055	1,300	296,355
Profit and total comprehensive income for the year	-	-	-	-	10,683	10,683	64	10,747
Transfer to statutory reserve	-	-	-	1,101	(1,101)	-	-	-
<b>At 31 December 2022 and 1 January 2023</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>
Profit and total comprehensive income for the year	-	-	-	-	5,890	5,890	45	5,935
Transfer to statutory reserve	-	-	-	956	(956)	-	-	-
<b>At 31 December 2023</b>	<b>8,856</b>	<b>154,249</b>	<b>1,577</b>	<b>16,432</b>	<b>130,514</b>	<b>311,628</b>	<b>1,409</b>	<b>313,037</b>

## NOTES:

### 1. CORPORATE INFORMATION

JiaChen Holding Group Limited (the “**Company**”) was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is No. 18 Changhong East Road, Henglin Town, Wujin District, Changzhou City, Jiangsu Province, 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 period, 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 2023 and 2022, the immediate and ultimate holding company of the Company was Jiachen Investment Limited (“**Jiachen Investment**”), a company incorporated in the British Virgin Island (the “**BVI**”) and wholly owned by 沈敏 (Mr. Shen Min) (“**Mr. Shen**”) who was regarded as the ultimate controlling party of the Group.

### 2. MATERIAL ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), the collective term of which 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. Material accounting policies adopted by the Group are described below.

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

\* *For identification purposes only*

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

The consolidated financial statements for the year ended 31 December 2023 comprise the financial result of the Company and its subsidiaries.

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

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

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

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

**(c) Changes in accounting policies**

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

- HKFRS 17, Insurance contracts
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two Model rules

Except for the below, 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.

### ***Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has adopted the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements replace all instance of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information include in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that are accounting policy information may be material because of the nature of the related transactions, other events or conditions, is itself is material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.

The Group has not adopted any new amendments to HKFRSs that is not yet effective for the current accounting period.

### **3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023**

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 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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.

#### 4. REVENUE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	223,230	214,736
– Provision of installation services	12,018	12,534
	<u>235,248</u>	<u>227,270</u>
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	165,899	179,642
– Supply of access floor plates	69,038	47,421
– Provision of installation services	311	207
	<u>235,248</u>	<u>227,270</u>
Set out below is an analysis of revenue recognised over time and at a point in time:		
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised over time:		
– Sales of access flooring plates	154,192	167,315
– Provision of installation services	12,018	12,534
	<u>166,210</u>	<u>179,849</u>
Revenue recognised at a point in time:		
– Sales of access flooring plates	69,038	47,421
	<u>235,248</u>	<u>227,270</u>

## 5. OTHER REVENUE AND OTHER NET INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other revenue:		
Bank interest income	83	177
Other interest income	<u>1,907</u>	<u>448</u>
	<u>1,990</u>	<u>625</u>
Other net income:		
Government subsidies ( <i>note below</i> )	2,144	825
Scrap sales	1,660	1,662
Net loss on disposal of property, plant and equipment	(660)	(201)
Exchange gain, net	191	1,431
Gain on lease termination	–	7
Bad debts recovered	–	148
Written-off of other payables	181	–
Sundry income	<u>4</u>	<u>43</u>
	<u>3,520</u>	<u>3,915</u>
	<u><u>5,510</u></u>	<u><u>4,540</u></u>

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

## 6. OPERATING SEGMENT INFORMATION

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

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

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

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 2023 and 2022 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue from external customers	<u>174,353</u>	<u>195,623</u>	<u>60,895</u>	<u>31,647</u>	<u>235,248</u>	<u>227,270</u>
Reportable segment gross profit	<u>35,723</u>	<u>37,876</u>	<u>9,017</u>	<u>5,188</u>	<u>44,740</u>	<u>43,064</u>
Reportable segment results	<u>11,256</u>	<u>14,742</u>	<u>(739)</u>	<u>325</u>	<u>10,517</u>	<u>15,067</u>
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	1,589	710	555	115	2,144	825
– Other interest income	1,566	–	341	–	1,907	–
– Net loss on disposal of property, plant and equipment	(660)	(201)	–	–	(660)	(201)
– Scrap sales	1,660	1,662	–	–	1,660	1,662
– Exchange gain, net	142	1,232	49	199	191	1,431
– Bad debt recovered	–	148	–	–	–	148
Depreciation and amortisation	2,713	3,386	2,653	1,687	5,366	5,073
Impairment of trade and bills receivables, net	5,793	2,731	2,009	663	7,802	3,394
(Reversal of impairment)/impairment of contract assets, net	(174)	1,361	(53)	235	(227)	1,596
Reportable segment assets	<u>262,894</u>	<u>262,955</u>	<u>172,291</u>	<u>133,185</u>	<u>435,185</u>	<u>396,140</u>
Additions to non-current segment assets during the year	1,113	2,045	26,515	64,399	27,628	66,444
Reportable segment liabilities	<u>130,801</u>	<u>123,341</u>	<u>31,791</u>	<u>12,678</u>	<u>162,592</u>	<u>136,019</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment total revenue and consolidated revenue	<u>235,248</u>	<u>227,270</u>
<b>Profit or loss</b>		
Reportable segment results	10,517	15,067
Unallocated other revenue	268	675
Unallocated head office and corporate expenses	(962)	(676)
Unallocated finance costs	<u>(3,400)</u>	<u>(3,462)</u>
Consolidated profit before taxation	<u><b>6,423</b></u>	<u><b>11,604</b></u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Assets</b>		
Reportable segment assets	435,185	396,140
Unallocated head office and corporate assets	<u>47,945</u>	<u>51,676</u>
Consolidated total assets	<u><b>483,130</b></u>	<u><b>447,816</b></u>
<b>Liabilities</b>		
Reportable segment liabilities	162,592	136,019
Unallocated head office and corporate liabilities	<u>7,501</u>	<u>4,695</u>
Consolidated total liabilities	<u><b>170,093</b></u>	<u><b>140,714</b></u>

(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 2023 and 2022.

(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.

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC	<b>198,519</b>	197,955
Hong Kong	<b>1,219</b>	7,243
Other countries ( <i>note below</i> )	<b>35,510</b>	22,072
	<b>235,248</b>	227,270

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

**7. FINANCE COSTS**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank borrowings	<b>3,202</b>	3,446
Loss on derecognition of financial assets upon factoring without recourse	<b>190</b>	–
Unwinding of finance costs on lease liabilities	<b>8</b>	16
	<b>3,400</b>	3,462

## 8. PROFIT BEFORE TAXATION

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Contract costs of goods sold and services rendered (note (a))	<b>190,508</b>	184,206
Depreciation of property, plant and equipment	<b>4,509</b>	4,660
Depreciation of right-of-use assets	<b>114</b>	102
Amortisation of other intangible assets	–	46
Amortisation of land use rights	<b>969</b>	543
Impairment of trade and bills receivables	<b>7,802</b>	3,394
(Reversal of impairment)/impairment of contract assets	<b>(227)</b>	1,596
Impairment of contract assets and trade and bills receivables, net	<b>7,575</b>	4,990
Net loss on disposal of property, plant and equipment	<b>660</b>	201
Auditor's remuneration	<b>1,151</b>	1,117
Short-term operating lease charges in respect of properties and land use rights	<b>992</b>	1,003
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	<b>14,468</b>	12,190
– Contributions to defined contribution retirement plans	<b>2,754</b>	2,866
Research and development costs (note (b))	<b>10,627</b>	9,981

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 RMB141,325,000 (2022: RMB135,861,000), staff costs of approximately RMB6,202,000 (2022: RMB5,393,000), installation costs of approximately RMB12,068,000 (2022: RMB10,410,000), transportation costs of approximately RMB9,936,000 (2022: RMB10,652,000), depreciation of property, plant and equipment of approximately RMB3,663,000 (2022: RMB3,842,000), and short-term operating lease charges in respect of properties and land use rights of approximately RMB587,000 (2022: RMB764,000), 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 RMB5,441,000 (2022: RMB5,356,000), staff costs of approximately RMB2,569,000 (2022: RMB2,324,000) and depreciation of property, plant and equipment of approximately RMB321,000 (2022: RMB487,000), which were included in the respective total amounts disclosed above for each type of these expenses.

## 9. INCOME TAX

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

No provision for the Hong Kong Profits Tax has been made as the Company has no taxable income derived in Hong Kong during the years ended 31 December 2023 and 2022.

Jinyueda Development Limited and Victor Best Investment Limited, which were incorporated in Hong Kong in 2017, are subject to Hong Kong Profits Tax at the rate of 16.5% (2022: 16.5%) on the assessable profits in Hong Kong. Neither Jinyueda Development Limited nor Victor Best Investment Limited has assessable profits derived in Hong Kong during the years ended 31 December 2023 and 2022.

LeiShuo Ventures Development Limited and Rui Xing Holdings Limited were incorporated in the BVI and none of them has assessable profits derived in Hong Kong during the years ended 31 December 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 had been entitled to a preferential CIT rate of 15% for the three years commencing on 1 January 2019. The qualification was renewed in 2022 and JiaChen Floor was entitled to enjoy preferential CIT rate of 15% for the period of three years from 2022. 常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.\*) (“**Changzhou Jintai**”) and 常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.\*) (“**Changzhou Jingang**”), which were established in the PRC in 2017, are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits and each of Changzhou Jintai and Changzhou Jingang has no taxable profit since their respective dates of establishment.

During the years ended 31 December 2023 and 2022, 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% (2022: 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 2023 and 2022 are disclosed in note 8(b).

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. At 31 December 2023 and 2022, 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.

\* For identification purposes only

**Taxation in the consolidated statement of profit or loss and other comprehensive income represents:**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – PRC Corporation Income Tax – Charge for the year	<b>1,624</b>	1,606
Deferred tax – Reversal and origination of temporary differences	<u>(1,136)</u>	<u>(749)</u>
	<b><u>488</u></b>	<b><u>857</u></b>

**10. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the years ended 31 December 2023 and 2022 are based on the following data:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Profit for the year attributable to the owners of the Company</b>	<b><u>5,890</u></b>	<b><u>10,683</u></b>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>

Basic earnings per share for the year ended 31 December 2023 amounted to RMB0.59 cents (2022: RMB1.07 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.

**11. TRADE AND BILLS RECEIVABLES**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	<b>201,473</b>	175,490
Bills receivables	<u>1,155</u>	<u>4,776</u>
	<b>202,628</b>	180,266
Less: Allowance for lifetime ECLs	<u>(37,710)</u>	<u>(29,908)</u>
	<b><u>164,918</u></b>	<b><u>150,358</u></b>

An ageing analysis of the trade and bills receivables (net of allowance for lifetime ECLs) as at 31 December 2023, based on the invoice date, is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>32,298</b>	57,158
1 to 3 months	<b>30,638</b>	25,490
3 to 6 months	<b>31,534</b>	9,474
6 to 9 months	<b>26,908</b>	15,118
9 to 12 months	<b>8,109</b>	10,332
1–2 years	<b>29,632</b>	25,178
Over 2 years	<b>5,799</b>	7,608
	<b>164,918</b>	150,358

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 2023 and 2022. The trade and bills receivables are non-interest bearing.

## 12. TRADE PAYABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<b>33,283</b>	19,148

An ageing analysis of the trade payables as at 31 December 2023, based on the invoice date, is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>24,081</b>	16,297
1 to 3 months	<b>4,630</b>	1,738
3 to 6 months	<b>3,682</b>	729
Over 6 months	<b>890</b>	384
	<b>33,283</b>	19,148

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

### 13. BANK BORROWINGS

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Repayable within 1 year:</b>		
Unsecured bank loans	<b>28,990</b>	8,990
Secured bank loans	<b>22,000</b>	41,000
Guaranteed bank loans	<b>40,000</b>	30,000
	<hr/> <b>90,990</b> <hr/>	<hr/> 79,990 <hr/>

At 31 December 2023, all bank borrowings were denominated in RMB and bearing interest at the rates ranging from 3.00% to 3.65% (2022: 3.55% to 4.70%) per annum.

### 14. DIVIDENDS

The Board of directors do not recommend the payment of any final dividend in respect for the years ended 31 December 2023 and 2022.

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

Access flooring products have been widely applied for use in office buildings, industrial office buildings, data centres, classrooms, libraries, etc. The usage of raised access flooring products is increasing at a steady rate in the PRC due to the growth in the continuous investments in new office buildings as well as growing construction area of industrial land. This steady growth trend can mainly be attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in 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. For the year ended 31 December 2023, the Group spent approximately RMB10.6 million in research and development as compared to that of approximately RMB 10.0 million for the year ended 31 December 2022.

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\*);

\* For identification purposes only

- 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\*).

## PROSPECTS

Regardless of the economic shortcomings and challenges in 2023, the Board is generally optimistic in looking ahead to a gradual demand recovery and new opportunities about the medium and long-term prospect of the access flooring products industry and the Group's business operations. The Group will continue to respond decisively to market conditions while keeping the long-term growth objectives firmly in focus. It will also continue to focus its resources to enhance product recognition by improving product technology and upgrading the production lines in order to maintain effective cost control, and to recalibrate the stage for the next phase of sustained success.

\* For identification purpose only

## BUSINESS OBJECTIVES AND IMPLEMENTATION PLAN

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

Business Strategies	Planned use of net proceeds		Actual use of net proceeds up to 31 December 2022	Amount utilised during the year ended 31 December 2023	Unutilised amount as at 31 December 2023	Expected timeframe for the utilisation of the remaining balance
	(HK\$'million)	%	(HK\$'million)	(HK\$'million)	(HK\$'million)	
1. Enhancement of 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	2.0	–	N/A
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 utilisation of the factory buildings. The unutilised amount as at 31 December 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
<b>Total</b>	<b>85.8</b>	<b>100.0</b>	<b>78.2</b>	<b>5.3</b>	<b>2.3</b>	

## SALES ANALYSIS

The Group recorded a consolidated revenue of approximately RMB235.2 million for the year ended 31 December 2023, representing an increase of approximately RMB8.0 million or 3.5% as compared to that of approximately RMB227.3 million for the year ended 31 December 2022. The increase in consolidated revenue was primarily attributable to the uplift of revenue generated from the sales of calcium-sulfate access flooring products, which was however offset by a reduction in revenue generated from the sales of steel access flooring products.

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Steel access flooring products	<b>174,353</b>	<b>74.1</b>	195,623	86.1
Calcium-sulfate access flooring products	<b>60,895</b>	<b>25.9</b>	31,647	13.9
<b>Total</b>	<b>235,248</b>	<b>100.0</b>	227,270	100.0

For the year ended 31 December 2023, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 74.1% of the total revenue. Revenue derived from sales of steel access flooring products decreased by 10.9% from approximately RMB195.6 million for the year ended 31 December 2022 to approximately RMB174.4 million for the year ended 31 December 2023. This substantial decrease was driven by 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 increased significantly by 92.4% from approximately RMB31.6 million for the year ended 31 December 2022 to approximately RMB60.9 million for the year ended 31 December 2023. This was attributable to the fine-tuning of the production lines which led to the enhancement in production capacity and efficiency. The Group was therefore able to take more sales orders for calcium-sulfate access flooring products.

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

	<b>For the year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>	<b>Sales volume <i>million m<sup>2</sup></i></b>	<b>Average unit selling price <i>RMB/m<sup>2</sup></i></b>
Steel access flooring products	<b>1.34</b>	<b>130.1</b>	1.39	140.7
Calcium-sulfate access flooring products	<b>0.38</b>	<b>160.3</b>	0.17	186.2
<b>Total</b>	<b><u>1.72</u></b>		<b><u>1.56</u></b>	

The decline in sales volume for steel access flooring products was resulted from the slow down of the economic activities in the commercial building construction industry as mentioned above. On the other hand, the increase in sales volume for calcium-sulfate access flooring products was due to the enhancement in production capacity and efficiency as mentioned above.

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 prices 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:

	<b>For the year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
PRC	<b>198,519</b>	<b>84.4</b>	197,955	87.1
Hong Kong, China	<b>1,219</b>	<b>0.5</b>	7,243	3.2
Other country and regions	<b>35,510</b>	<b>15.1</b>	22,072	9.7
<b>Total</b>	<b><u>235,248</u></b>	<b>100.0</b>	<b><u>227,270</u></b>	<b>100.0</b>

For both of the years ended 31 December 2023 and 2022, the Group's products were mainly sold in the PRC and to a lesser extent exported to other regions such as The United Arab Emirates, Thailand, Malaysia, Taiwan, Singapore and Hong Kong.

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

	<b>For the year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Gross profit</b>	<b>Gross profit</b>	Gross profit	Gross profit
	<b>profit</b>	<b>margin</b>	profit	margin
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Steel access flooring products	<b>35,723</b>	<b>20.5</b>	37,876	19.4
Calcium-sulfate access flooring products	<b>9,017</b>	<b>14.8</b>	5,188	16.4
<b>Total</b>	<b>44,740</b>	<b>19.0</b>	43,064	19.0

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 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. Gross profit margin of steel access flooring products for the year ended 31 December 2023 compared to that of the year ended 31 December 2022 rose by about 1.1 percentage points, while gross profit margin of calcium-sulfate access flooring products for the year ended 31 December 2023 compared to that of the year ended 31 December 2022 reduced by about 1.6 percentage points. The reduction in gross profit margin for calcium-sulfate access flooring 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 expenses increased by approximately RMB2.3 million, representing a 31.8% increase to approximately RMB9.5 million for the year ended 31 December 2023 from approximately RMB7.2 million for the year ended 31 December 2022. The increase was mainly attributed to the increase in wages and salaries, and consultation fees for business development.

The net impairment of contract assets and trade and bills receivables increased by approximately 51.8% to approximately RMB7.6 million for the year ended 31 December 2023 from approximately RMB 5.0 million for the year ended 31 December 2022. Further details of the recoverability assessment on contract assets and trade and bills receivables are set out in notes to the consolidated financial statements included in the annual report of the Company for the year ended 31 December 2023.

Administrative expenses increased by approximately RMB3.0 million, representing a 14.8% increase to approximately RMB23.4 million for the year ended 31 December 2023 from approximately RMB20.4 million for the year ended 31 December 2022. The increase was primarily driven by the increase in wages and salaries, and consultation fees for the enhancement of operation management.

Finance costs decreased by approximately RMB62,000 to approximately RMB3.4 million for the year ended 31 December 2023 from approximately RMB3.5 million for the year ended 31 December 2022. The decrease was mainly due to the reduction in the average interest rates during the year ended 31 December 2023.

## **OPERATING RESULTS**

Profit before taxation decreased from approximately RMB11.6 million for the year ended 31 December 2022 to approximately RMB6.4 million for the year ended 31 December 2023. The reduction was primarily attributable to the increase in selling expenses and administrative expenses by approximately 31.8% and approximately 14.8% respectively, and in the net impairment of contract assets and trade and bills receivables by approximately 51.8% in comparison of those for the year ended 31 December 2022 as mentioned above.

## **CAPITAL STRUCTURE**

The Company's 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 2023, the Group held total assets of approximately RMB483.1 million (31 December 2022: approximately RMB447.8 million), including cash and cash equivalents of approximately RMB41.9 million (31 December 2022: approximately RMB47.2 million). The Group's cash and cash equivalents were mainly denominated in RMB (31 December 2022: RMB).

As at 31 December 2023, the Group had total liabilities of approximately RMB170.1 million (31 December 2022: approximately RMB140.7 million) which mainly comprised of bank borrowings amounting to RMB91.0 million (31 December 2022: approximately RMB80.0 million). The Group's bank borrowings were denominated in RMB and bore interest at the rates ranging from 3.00% to 3.65% (31 December 2022: 3.55% to 4.70%).

\* For identification purpose only

As at 31 December 2023, 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 14.3% (31 December 2022: 10.0%). This increase was mainly resulted from the increase in bank borrowings and decrease in cash and cash equivalent for the year ended 31 December 2023.

As at 31 December 2023, the Group had available and unused bank facilities of approximately RMB81.1 million (31 December 2022: approximately RMB35.0 million).

The gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 29.1% and 26.1% as at 31 December 2023 and 31 December 2022 respectively.

### **CONTINGENT LIABILITIES**

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

### **CAPITAL COMMITMENTS**

As at 31 December 2023, the Group had capital commitments amounting to approximately RMB3.1 million in respect of property, plant and equipment which were contracted but not provided for (31 December 2022: approximately RMB6.5 million).

### **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 2023. 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 2023, the Group had the following charges on its assets:

- (a) Bank borrowings amounting to approximately RMB22.0 million (31 December 2022: approximately RMB41.0 million) were secured by the following assets:
  - (i) land use rights with a carrying value of approximately RMB7.5 million as at 31 December 2023 (31 December 2022: approximately RMB7.7 million);
  - (ii) leasehold buildings with a carrying value of approximately RMB6.0 million as at 31 December 2023 (31 December 2022: approximately RMB6.7 million).
- (b) Restricted bank deposit of approximately RMB4.6 million (31 December 2022: approximately RMB2.3 million) was pledged as security for issuing commercial bills to suppliers.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had 184 employees (31 December 2022: 175 employees). The total staff costs including directors' remuneration for the year were approximately RMB17.2 million (2022: approximately RMB15.1 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual appraisal system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

## **SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL**

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2023.

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 2023.

## **CAPITAL EXPENDITURE**

For the year ended 31 December 2023, the Group spent approximately RMB26.6 million (2022 approximately RMB26.7 million) on capital expenditure, which was primarily related to the construction in progress and acquisition of plant and machinery.

## **EVENT AFTER THE REPORTING PERIOD**

There was no significant event subsequent to 31 December 2023 and up to the date of this announcement.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

## **CORPORATE GOVERNANCE PRACTICES**

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

Throughout the financial year ended 31 December 2023, the Company has complied with the requirements set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 (which has changed to Appendix C1 since 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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

During the year ended 31 December 2023, 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 (“**Model Code**”) set out in Appendix 10 (which has changed to Appendix C3 since 31 December 2023) 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 2023. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the year ended 31 December 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 CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Xie Xing (Chairman), Mr. Wang Li and Ms. Long Mei.

The Audit Committee examined the accounting principles and practices adopted by the Group and discussed with management the internal controls of the Group. It has also reviewed the consolidated financial results of the Group for the year ended 31 December 2023.

## **SCOPE OF WORK OF CROWE (HK) CPA LIMITED**

The figures in respect of the Company’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Company’s consolidated financial statements for the year ended 31 December 2023. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this announcement.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Company ([www.jiachencn.com.cn](http://www.jiachencn.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The annual report of the Company for the year ended 31 December 2023 containing all relevant information required under the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Changzhou, the People’s Republic of China, 27 March 2024

*As at the date of this announcement, the executive Directors are Mr. SHEN Min, Mr. SHEN Minghui and Ms. LIU Hui, the independent non-executive Directors are Mr. XIE Xing, Mr. WANG Li, and Ms. LONG Mei.*