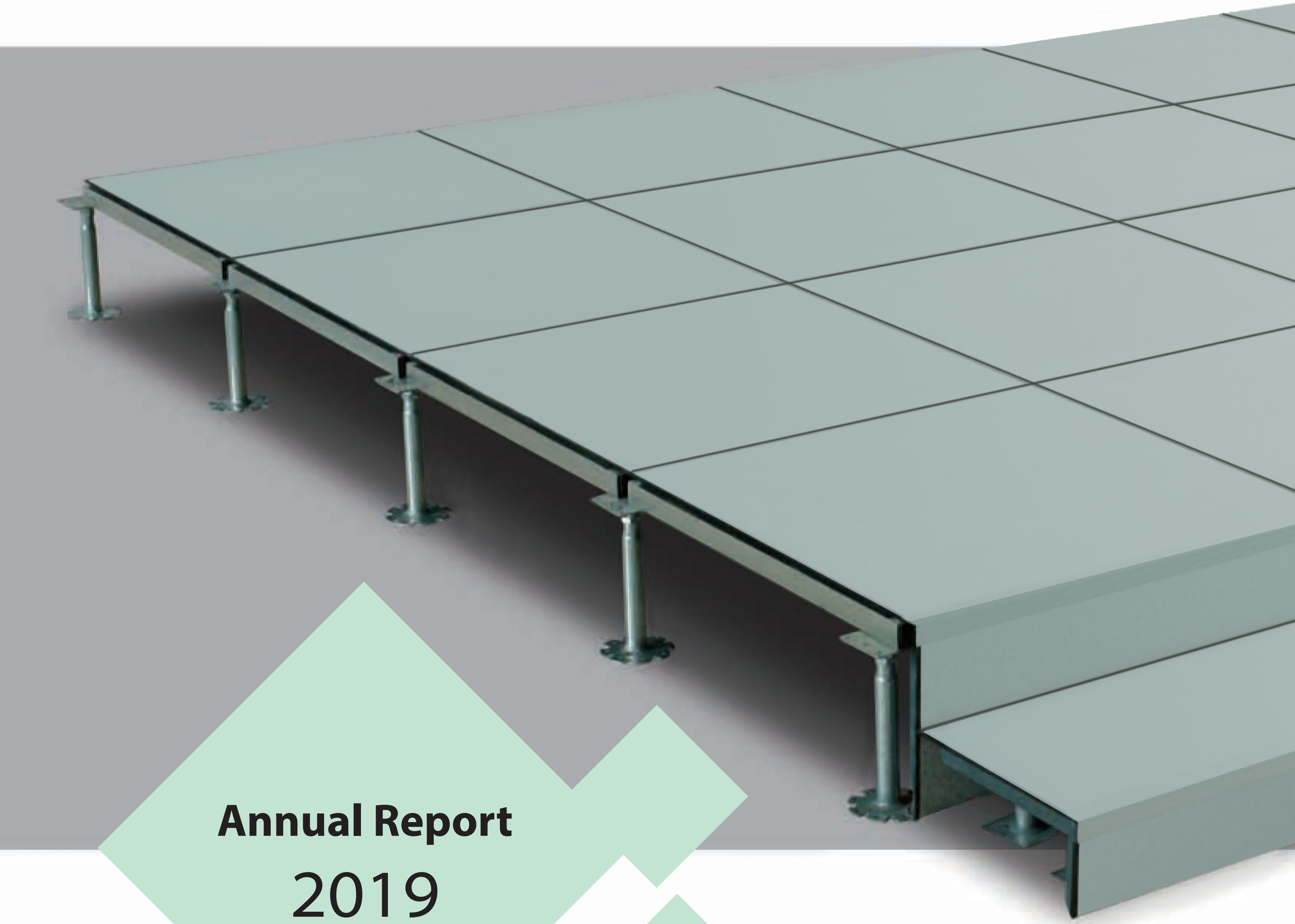
JiaChen Holding Group Limited
佳辰控股集團有限公司

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



Annual Report 2019

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Shen Min *(Chairman)*
Mr. Chen Shiping *(Chief Executive Officer)*
Ms. Zhang Yaying
Mr. Shen Minghui

Independent Non-executive Directors

Mr. Ma Ving Lung
Ms. Shi Dongying
Mr. Yu Chun Kau

Audit Committee

Mr. Ma Ving Lung *(Chairman)*
Ms. Shi Dongying
Mr. Yu Chun Kau

Remuneration Committee

Mr. Yu Chun Kau *(Chairman)*
Mr. Shen Min
Ms. Shi Dongying

Nomination Committee

Ms. Shi Dongying *(Chairlady)*
Mr. Ma Ving Lung
Mr. Chen Shiping

Authorised Representatives

Mr. Shen Minghui
Mr. Li Wen Tao

Company Secretary

Mr. Li Wen Tao

Company Website

www.jiachencn.com.cn

Stock Code

1937

Principal Bankers

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

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

Auditor

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

Registered Office in the Cayman Islands

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

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

No.18 Changhong East Road
Henglin Town
Wujin District
Changzhou, Jiangsu
China

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

22/F, 3 Lockhart Road
Wanchai, Hong Kong

Share Registrar and Transfer Office

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Compliance Adviser

Dakin Capital Limited
Suites 4505–06, 45/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

On behalf of the board of Directors (the "Board") of the Company, it is my pleasure to present the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 to the shareholders (the "Shareholders") of the Company.

Listing

On 17 January 2020, the shares of the Company (the "Shares") were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which marked a significant milestone for the development of the Group. The net proceeds amounting to approximately HK$85.8 million resulting from an aggregate of 250,000,000 Shares offered for subscription to the public in Hong Kong, and under placing arrangement with selected professional, institutional and other investors (collectively referred to as "Global Offering") will be applied towards: (i) acquisition of a parcel of land and implementation of new production lines and supplemental equipment; (ii) acquisition of automated machinery and equipment for upgrading existing production lines; (iii) repayment of outstanding indebtedness of the Group; (iv) enhancing and optimising the information technology system; and (v) providing general working capital for the Group.

The Listing has, nevertheless, provided a financing channel leading to the enhancement of financial strength for the sustainable development of the Group.

Results

For the year ended 31 December 2019, the Group continued to consolidate the market position in the People's Republic of China (the "PRC"). As the Group successfully pursued a number of market opportunities, enhanced marketing efforts and research capabilities, and optimized the product quality management, the turnover of the Group grew to approximately RMB270.9 million, representing an increase of 8.9% as compared with that of the year ended 31 December 2018.

Attributed to the listing expenses of approximately RMB11.5 million (2018: RMB4.1 million) charged in the consolidated statements of profit or loss and other comprehensive income of the Group, the Group suffered a decrease in net profit of approximately 22.4% from RMB24.9 million for the year ended 31 December 2018 to approximately RMB19.3 million for the year ended 31 December 2019. In fact, excluding these expenses, the Group would have enjoyed an increase in net profit of approximately 6.3% for the year ended 31 December 2019 as compared to that of the year ended 31 December 2018.

Prospects

While the overall revenue in the access flooring manufacturing industry in the PRC increased at a CAGR of approximately 6.4% between 2014 and 2018, it is expected to continue increasing at a CAGR of approximately 6.0% between 2018 and 2023. As the Group is a well-established access flooring manufacturer with a proven track record in the PRC, the Board is hereby confident in capturing the potential growth in the industry over our competitors in future leveraging on the following attributes:

- core values and distinctive products and services recognised by customers;
- stringent quality control measures; and
- experienced and stable management team.

In view of the outbreak of the novel coronavirus (COVID-19) in January 2020, the economic environment in the PRC after the Chinese New Year has been affected to a certain extent. However, the Board considers the impact would not sustain for a long period time as the financial backbone of the economy is still solid.

Acknowledgement

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

Shen Min
Chairman

28 April 2020

General Overview

The Group is principally engaged in the manufacturing and sales of access flooring products and 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. Driven by a stable economic environment, continuous investments in new office buildings as well as growing construction area of industrial land, the market share of access flooring products has reached approximately 7.0% as of 2018 in the PRC. Between 2014 and 2018, revenue in the access flooring manufacturing industry increased from approximately RMB4,948.4 million to approximately RMB6,336.4 million, representing a CAGR of approximately 6.4%. Between 2018 and 2023, revenue in the access flooring manufacturing industry is expected to continue increasing at a CAGR of approximately 6.0%, increasing from approximately RMB6,336.4 million to approximately RMB8,490.7 million. This fast growth trend can mainly be attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in China; (ii) an increase in the number of aging office buildings in China with the retirement of more and more obsolete access flooring products units; (iii) 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 the third largest player in the access floor manufacturing industry with a market share of approximately 3.6% in terms of revenue in the PRC in 2018, the Board believes that a top-down management structure is conducive to 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 our customer base, track our existing customers' needs, negotiate and enter into contracts 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 2019, the Group spent approximately RMB9.9 million in research and development compared to that of approximately RMB8.3 million for the year ended 31 December 2018.

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 "Well-known Trademark of Changzhou City" (常州市知名商標證書) by the Recognition Committee of Well-known Trademark of Changzhou City (常州市知名商標認定委員會) in 2011, "Jiangsu Famous Brand Certificate" (江蘇名牌產品證書) by the Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會) in 2017, and the accreditation of AAA Credit Enterprise (企業信用等級證書AAA綜合信譽信用等級) by Jiangsu Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司江蘇分公司) for the period from 2016 to 2018.

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

Business Strategies and Implementation Plan

The Shares were only listed on 17 January 2020 (the "Listing Date") and therefore the proceeds from the Global Offering were only received subsequent to the year ended 31 December 2019. Hence, the implementation plan for the business strategies as stated in the prospectus of the Company dated 31 December 2019 (the "Prospectus") has not yet commenced during the year ended 31 December 2019. The Group is in its preliminary stage of implementing its business strategies and will utilize the fund raised from the Global Offering according to the timeline as stated in the Prospectus. An analysis comparing the business strategies set out in the Prospectus with the Group's actual business progress up to the date of this report is set out below:

Business Strategies	**Planned use of proceeds** *(HK$'M)*	**Implementation progress**
1. Increase the production capacity and efficiency		As at the date of this report, the proceeds from the Global Offering have not been utilized in the implementation of the business strategies
– acquisition of a parcel of land in Changzhou City	20.9	
– construction of infrastructure including two new factory buildings for production and storage	21.9	
– installation of five additional production lines	26.9	
– installation of environmental-friendly and energy-saving facilities and equipment	2.2	
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	
3. Repayment of outstanding indebtedness of the Group	5.0	
4. Enhancement and optimization of the information technology system	2.3	
5. Working capital and general corporate purposes	1.5	
Total	85.8	

Financial Review

The Group posted a consolidated revenue of approximately RMB270.9 million for the year ended 31 December 2019, representing an increase of approximately RMB22.1 million or 8.9% as compared to the year ended 31 December 2018. The increase in revenue was primarily driven by the increase in sales revenue generated from sales of steel access flooring products.

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

	For the year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**221,946**	**81.9**	204,319	82.1
Calcium sulfate access flooring products	**48,913**	**18.1**	44,466	17.9
Total	**270,859**	**100.0**	248,785	100.0

For the year ended 31 December 2019, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 81.9% of the total revenue. Revenue derived from sales of steel access flooring products increased by 8.6% from approximately RMB204.3 million for the year ended 31 December 2018 to approximately RMB221.9 million for the year ended 31 December 2019. This is mainly attributable to the increase in average unit selling price as well as the increase in sales volume.

Revenue derived from sales of calcium sulfate access flooring products increased by 10.0% from approximately RMB44.5 million for the year ended 31 December 2018 to approximately RMB48.9 million for the year ended 31 December 2019. This is mainly attributable to the increase in sales volume but partially offset by the decrease in average unit selling price.

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

	For the year ended 31 December			
	2019		2018	
	Sales volume ***million m^2***	**Average unit selling price** ***RMB/m^2***	Sales volume *million m^2*	Average unit selling price *RMB/m^2*
Steel access flooring products	**1.78**	**124.8**	1.68	121.9
Calcium sulfate access flooring products	**0.29**	**167.2**	0.26	171.7
Total	**2.07**		1.94	

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 customers.

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

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

	For the year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
PRC	**249,963**	**92.3**	226,046	90.9
Overseas	**20,896**	**7.7**	22,739	9.1
Total	**270,859**	**100.0**	248,785	100.0

For both of the years ended 31 December 2019 and 2018, the Group's products were mainly sold in the PRC and to a lesser extent exported to overseas markets such as Thailand, Malaysia, Taiwan, Hong Kong and Singapore.

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

	For the year ended 31 December			
	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**56,120**	**25.3**	48,387	23.7
Calcium sulfate access flooring products	**12,197**	**24.9**	11,779	26.5
Total	**68,317**	**25.2**	60,166	24.2

The gross profit from steel access flooring products accounted for majority of the gross profit of the Group for both of the years ended 31 December 2019 and 2018. The gross profit margin of the steel access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The increase in gross profit margin of steel access flooring products for the year ended 31 December 2019 compared to that of 2018 was principally attributed to the increase in average unit selling price. On the other hand, the decrease in gross profit margin of calcium sulfate access flooring products for the year ended 31 December 2019 compared to that of 2018 was mainly due to the decrease in average unit selling price in order to maintain the competitiveness of the Group in the market.

Operating Costs and Expenses

Selling and distribution expenses decreased by approximately RMB0.2 million, representing a 3.6% decrease to approximately RMB5.0 million for the year ended 31 December 2019 from approximately RMB5.2 million for the year ended 31 December 2018. The decrease was mainly attributed to the decrease in salaries and entertainment expenses.

Administrative expenses increased substantially by approximately RMB10.1 million, representing a 54.9% increase to approximately RMB28.4 million for the year ended 31 December 2019 from approximately RMB18.3 million for the year ended 31 December 2018. The increase was mainly attributed to the increase in both listing expenses and research and development costs.

Finance costs increased by approximately RMB2.3 million representing a 47.4% increase to approximately RMB7.1 million for the year ended 31 December 2019 from approximately RMB4.8 million for the year ended 31 December 2018. The increase was mainly due to the increase in interest on bank borrowings for the year ended 31 December 2019.

Operating Results

Profit before taxation has reduced by 21.0% from approximately RMB30.0 million for the year ended 31 December 2018 to approximately RMB23.7 million for the year ended 31 December 2019, primarily due to the increase in impairment loss of contract assets, trade receivables and other receivables, and the increase in administrative expenses as discussed above.

Capital Structure, Liquidity and Financial Resources

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change 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.

As at 31 December 2019, the Group held total assets of approximately RMB359.5 million (31 December 2018: approximately RMB319.8 million), including cash and cash equivalents of approximately RMB16.4 million (31 December 2018: approximately RMB16.2 million). The Group's cash and cash equivalents were mainly denominated in RMB and, to a lesser extent, United States dollars.

As at 31 December 2019, the Group had total liabilities of approximately RMB189.8 million (31 December 2018: RMB169.4 million) which mainly comprised bank borrowings amounting to approximately RMB113.4 million (31 December 2018: RMB78.3 million). The Group's bank borrowings were denominated in RMB and bearing interest at the rates ranging from 4.35% to 6.20%.

As at 31 December 2019, the debt-to-equity ratio, expressed as a percentage of total loans and borrowings net of cash and cash equivalents over total equity, was approximately 56.8% (31 December 2018: 42.7%). This significant increase was mainly resulted from the increase in bank borrowings for the year ended 31 December 2019.

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 68.5% and 55.0% as at 31 December 2019 and 31 December 2018, respectively.

Contingent Liabilities

As at 31 December 2019, the Group had no contingent liabilities (31 December 2018: Nil).

Exposure to Fluctuation in Exchange Rate

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the year ended 31 December 2019. 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 2019, the Group had the following charges on its assets:

(a) Bank borrowings totaling approximately RMB63,868,000 (31 December 2018: RMB29,884,000) were secured by the following assets:

  (i) land use rights with a carrying value of approximately RMB8,213,000 as at 31 December 2019 (31 December 2018: approximately RMB8,386,000);

  (ii) leasehold buildings with a carrying value of approximately RMB8,659,000 as at 31 December 2019 (31 December 2018: approximately RMB9,313,000); and

  (iii) trade receivables with a carrying value of approximately RMB45,393,000 as at 31 December 2019 (31 December 2018: approximately RMB3,567,000).

(b) Restricted bank balances of approximately RMB3,470,000 (31 December 2018: approximately RMB2,335,000) were pledged as security for issuing commercial bills to suppliers.

Employees and Remuneration Policies

As at 31 December 2019, the Group had 218 employees (31 December 2018: 228). The total staff costs including directors' remuneration for the year ended 31 December 2019 were approximately RMB13.8 million (2018: approximately RMB14.2 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 decisions with respect to salary increments and promotions.

Significant Investment, Acquisition and Disposal

There were no significant investments held, acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2019.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries, associates and joint ventures as at 31 December 2019.

Capital Expenditure

For the year ended 31 December 2019, the Group spent approximately RMB2.7 million (2018: approximately RMB1.4 million) on capital expenditure, which was primarily related to the acquisition of plant and machinery.

Cash Flows

The Group reported net cash flows of approximately RMB19.9 million used in operating activities for the financial year ended 31 December 2019 compared to that of approximately RMB20.0 million generated from operating activities for the year of 2018. The swing from cash inflows to cash outflows in respect of operating activities was largely due to the substantial increase in net cash outflow of approximately RMB35.6 million from working capital from approximately RMB18.8 million for the year ended 31 December 2018 to approximately RMB54.4 million for the year ended 31 December 2019.

Net cash used in investing activities was approximately RMB3.7 million (2018: RMB538,000) for the year ended 31 December 2019. This increase was mainly attributable to the increase in payment for acquisition of property, plant and equipment and restricted bank deposits.

Net cash flows amounting to approximately RMB23.9 million was generated from financing activities during the year ended 31 December 2019 compared to net cash flows of approximately RMB16.3 million used in financing activities during the year ended 31 December 2018. This was mainly due to the increase in bank borrowings during the year ended 31 December 2019.

Executive Directors

Mr. Shen Min (沈敏) ("Mr. Shen"), whose former name was Shen Xiaodu (沈筱度), aged 61, is the founder of the Group, the chairman of the Board and an executive Director. He joined our Group since April 1991. He is a director of a number of subsidiaries of the Group and also a member of the remuneration committee. Mr. Shen was appointed as our Director on 7 July 2017 and was re-designated as an executive Director and the chairman of the Board on 19 June 2019. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director and legal representatives of a number of subsidiaries of the Group. Mr. Shen brings to the Group more than 28 years of experience in the access flooring manufacturing industry.

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

Mr. Shen is the spouse of Ms. Zhang Yaying, the father of Mr. Shen Minghui, and the uncle of Ms. Zhang Lingyan.

Ms. Zhang Yaying (章亞英) ("Ms. Zhang"), aged 56, is an executive Director. Ms. Zhang joined the Group since September 1991. She was appointed as a Director on 7 July 2017 and was re-designated as an executive Director on 19 June 2019. She is also a director of a number of subsidiaries of the Group. She has been the deputy general manager of JiaChen Floor since September 2009 and is responsible for overseeing the raw material purchasing. She was the deputy general manager of Jiachen Machinery Plant since September 1991 and was responsible for raw material purchasing until December 2016. Ms. Zhang brings to our Group more than 28 years of experience in the access flooring manufacturing industry. Ms. Zhang studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2008 to July 2012 and obtained a graduation diploma in July 2012.

Ms. Zhang is the spouse of Mr. Shen, the mother of Mr. Shen Minghui, and the aunt of Ms. Zhang Lingyan.

Mr. Shen Minghui (沈明暉) ("Mr. Shen MH"), aged 35, is an executive Director. Mr. Shen MH joined our Group since May 2003. He was appointed as a Director on 7 July 2017 and was redesignated as an executive Director on 19 June 2019. He is responsible for overseeing the general matters of the Group. He has been the deputy general manager of JiaChen Floor since September 2009. He is the supervisor of 常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) and 常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*), both of which are indirect wholly-owned subsidiaries of the Group, and a director of a number of subsidiaries of Group. Mr. Shen MH was a deputy general manager of Jiachen Machinery Plant from May 2003 to August 2009 and was responsible for supervising the manufacturing and production of the products. Mr. Shen MH attended 西南大學 (Xinan University*) to study marketing from March 2013 to July 2015 and obtained a graduation diploma in July 2015.

Mr. Shen MH is the son of Mr. Shen and Ms. Zhang and the cousin of Ms. Zhang Lingyan.

* *For identification purposes only*

Mr. Chen Shiping (陳仕平) ("Mr. Chen"), aged 58, joined the Group in September 2009 and is currently the chief executive officer, an executive Director and the general manager of the Group. He was appointed as an executive Director on 19 June 2019. He is also a member of the nomination committee. He is responsible for the overall daily management and operation of the Group. Mr. Chen has over 20 years of experience in access flooring manufacturing industry. Mr. Chen was the head of manufacturing plant of 常州三井高田汽配廠 (Changzhou San Jing Gao Tian Automobile Parts Factory*) from August 1984 to September 1999. He then joined 無錫英特地板公司 (Wuxi Ying Te Flooring Co., Ltd.*) as a deputy general manager from October 1999 to August 2009. Mr. Chen studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2005 to July 2009 and obtained a graduation diploma in July 2009.

Independent Non-Executive Directors

Mr. Ma Ving Lung (馬詠龍) ("Mr. Ma"), aged 50, joined the Board as an independent non-executive Director on 13 December 2019. He is the chairman of the audit committee and a member of the nomination committee. He is primarily responsible for providing independent advice to the Board. Mr. Ma graduated from York University, Ontario, Canada in November 1995 with a bachelor degree (with honours) in administrative studies. He has been a member of American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants since July 2000 and October 2000, respectively, and a fellow member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants since September 2010 and July 2017 respectively.

Mr. Ma has been the qualified accountant of Zhaojin Mining Industry Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1818) since August 2007. He was the company secretary and qualified accountant of Shanxi Changcheng Microlight Equipment Co., Ltd., a company listed on GEM of the Stock Exchange (stock code: 8286) during the period from June 2002 to March 2005. He was the financial controller, company secretary, authorized representative, member of audit committee and qualified accountant of Vitop Bioenergy Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1178) (now known as Huiyin Holdings Group Limited) during the period from August 2000 to April 2002.

Mr. Ma was an independent non-executive director of Hengli Commercial Properties (Group) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 169) (now known as Wanda Hotel Development Company Limited) from November 2007 to July 2013.

Mr. Yu Chun Kau (余振球) ("Mr. Yu"), aged 47, was appointed as an independent non-executive Director on 23 December 2019. He is primarily responsible for providing independent advice to the Board. He is a member of the audit committee and chairman of the remuneration committee.

Mr. Yu has over 20 years of experience in the finance and management industry. From August 1994 to July 2002, he worked at the KPMG with his last position as a manager. From July 2002 to November 2003, he worked as a financial controller at China Finance Investment Holdings Limited (formerly known as First Dragoncom Agro-Strategy Holdings Limited at the time of employment), a company listed on the Main Board of the Stock Exchange (stock code:875). From December 2003 to June 2006, he worked as an assistant director at Kerry Beverages Limited. From June 2006 to February 2008, he served as the chief financial officer at the Brigantine Group. From February 2008 to June 2010, he was an executive director, chief financial officer and company secretary at China Risun Group Limited (formerly known as China Risun Coal Chemicals Group Limited at the time of employment), a company currently listed on the Main Board of the Stock Exchange (stock code: 1907).

Mr. Yu was also the chief financial officer (from June 2010 to December 2012), an executive director (from May 2011 to November 2012) and company secretary (from November 2011 to December 2012) at Sitoy Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1023). From September 2013 to December 2016, he was the vice president, chief financial officer and company secretary at Cosmo Lady (China) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2298). He is currently an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) since December 2017. He is currently a chief financial officer of a company engaged in pharmaceutical business, which is a subsidiary of a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of Forward Fashion (International) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2528).

Mr. Yu graduated from The Chinese University of Hong Kong with a degree in bachelor of business administration with first class honours in December 1994. In June 2005, he also obtained a degree in master of corporate governance from The Open University of Hong Kong. He was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and was registered as a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager in the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Institute of Chartered Secretaries and as a fellow member of The Institute of Chartered Secretaries and Administrators.

Ms. Shi Dongying (施冬英) ("Ms. Shi"), aged 45, joined our Board as an independent non-executive Director on 13 December 2019. She is the chairlady of the nomination committee and a member of each of the audit committee and the remuneration committee. She is primarily responsible for providing independent advice to the Board.

Ms. Shi graduated from 中央廣播電視大學 (Zhongyang Broadcast and Television University*) and obtained a bachelor degree in accountancy in January 2014. She obtained intermediate qualification in Accountancy Profession in May 2009 and was registered as a non-practising member of The Chinese Institute of Certified Public Accountants in March 2014.

Ms. Shi has been the deputy chief executive of Nantong Composite Material Co., Ltd since November 2015 and is responsible for overall management and administration. Starting from May 2016, she is the executive director, compliance officer, authorised representative and chairman of risk management committee of MEIGU Technology Holding Group Limited (stock code: 8349), a company listed on GEM of the Stock Exchange. She was the head of the accounting department of 南通三鑫電子科技股份有限公司 (Nantong Sancon Electric Technology Corporation*) from March 2006 to October 2015 and the accountant of 海門棉麻加工廠 (Haimen Cotton & Hemp Processing Plant*) from August 1993 to May 2005.

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

Senior Management

Mr. Li Wen Tao (李文韜) ("Mr. Li"), aged 37, joined the Group in June 2019 as the company secretary. Mr. Li is an associate of Institute of the Chartered Accountants in England and Wales since February 2013 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants
since May 2011.

Mr. Li obtained his Bachelor of Business Administration (Major in Accountancy) from Hong Kong Lingnan University in November 2004. He established Nova, CPA & Company in 2013 and accumulated extensive experience in auditing, accounting, financial management and corporate governance over a period of 16 years.

Ms. Zhang Lingyan (章玲燕), aged 40, has been the office manager of general office of JiaChen Floor since September 2009 and is responsible for general administration matters. She is also the supervisor of JiaChen Floor since December 2017. Prior to that, she was the assistant treasurer of Jiachen Machinery Plant from February 1999 to August 2009 where she was responsible for financial matters.

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

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

Ms. Zhang Lingyan is the niece of Mr. Shen and Ms. Zhang and the cousin of Mr. Shen MH.

Background

This is the first Environmental, Social and Governance ("ESG") Report of the Company. With the growing consciousness and importance of sustainability, the Group takes this opportunity to scrutinise management practices that are material to stakeholders, for example, environmental protection, product quality and employee care.

This report is prepared with reference to the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report aims to improve stakeholders' understanding and to introduce ongoing sustainability initiatives directed towards the fulfilment of our obligations to society and the environment in which we operate.

Unless otherwise stated, the quantitative environmental data, employment and labour practices, operating practices and community participation mentioned in this report covers the office-based operations in Hong Kong and the workshop-based operations in China for the period from 1 January 2019 to 31 December 2019 (the "Reporting Period").

Through this ESG Report, the Group makes public and detailed disclosure and elaboration of ESG and other non-financial matters of the Group. It is intended that the report disclosures would provide an opportunity to review our ESG performance and governance achievements, as well as serving as a platform for the public to understand our social responsibility values and non-financial business achievements.

Overall Approaches and Policies

The Group has been persistently creating economic benefits, promoting business development and performing its corporate social responsibility so as to strike a balance between all parties, while advocating corporate integrity in its pursuit of sustainable development. For our sustainable development, we are committed to:

- ensuring compliance with laws, regulations and standards applicable to our operations in an ethical and transparent manner;
- maintaining a long-term and sustainable relationship by listening to the voice of the community to understand the social needs;
- establishing and maintaining open and transparent communications with local communities and the public on matters regarding safety, environment and community relationship; and
- protecting the integrity, health, and benefits of stakeholders on issues such as cooperation and respect for employees, communities and environment, for the sake of being recognized as a company with sustainable development.

Stakeholder Engagement

We value our stakeholders and their feedback with regard to our business and ESG aspects. With the goal to strengthen the sustainability approach and performance of the Group, we put effort in maintaining a close communication with our key stakeholders, including government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public.

A. Environmental

Emissions

Air emissions and greenhouse gas ("GHG") emissions

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

During the year ended 31 December 2019, air emission for nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")) were about 28.4 kg, 0.6 kg and 2.1 kg respectively.

The main source of the Group's greenhouse gas emissions is derived from direct emission from the mobile combustion sources ("Scope 1"), indirect emission from acquired electricity emissions ("Scope 2") and other indirect emissions ("Scope 3").

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

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

Solid Waste management

The Group had conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage and non-hazardous wastes comply with the PRC regulations. For the control of environmental pollution by solid waste pursuant to the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Noise", the Group operates an emission licence administration system with the following data:

Type of emission	Unit	Emission	Intensity (unit/m^2 of the factory area)
Greenhouse gas			
Scope 1	Tonnes CO_2e	2,784	10.3
Scope 2	Tonnes CO_2e	2,904	10.7
Scope 3	Tonnes CO_2e	19	0.1
Total (Scope 1, 2 & 3)	Tonnes CO_2e	5,707	21.1

The non-hazardous waste produced during the year ended 31 December 2019 is as follows:

- Non-hazardous waste produced: 426 tonnes
- Non-hazardous waste produced intensity: 1.6 tonne per million RMB revenue

The hazardous waste produced during the year ended 31 December 2019 is as follows:

- Hazardous waste produced: 33 tonnes
- Hazardous waste produced intensity: 0.1 tonne per million RMB revenue

The Group has constantly kept up-to-date the local legislations and standards for environmental protection. In the year ended 31 December 2019, the Group has complied with applicable environmental laws and regulations.

Use of resources

Energy and water consumption

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

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

The following consumption data was recorded in the year ended 31 December 2019:

Resources	Unit	Consumption	Consumption intensity (Per million RMB revenue)
Electricity	kWh	3,608,917	13,324
Water	tonne	15,000	55
Petrol	L	42,306	156
Diesel	L	19,340	71
Natural gas	m^3	872,123	3,219
Paper	kg	1,138	4

Packaging materials

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

Packaging materials	Unit	Consumption	Consumption intensity (Per million RMB revenue)
Paper materials and carton box	kg	89,759	331
Woods	kg	336,587	1,243
Plastics materials	kg	43,391	160

Environmental and natural resources

Measures in reducing environmental impact

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

B. Social

Employment

Labour practices

To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People's Republic of China 《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China 《中華人民共和國勞動合同法》,the regulation of Insurance for Labour Injury 《工傷保險條例》, the Unemployment Insurance Law 《失業保險條例》and other relevant laws and regulations.

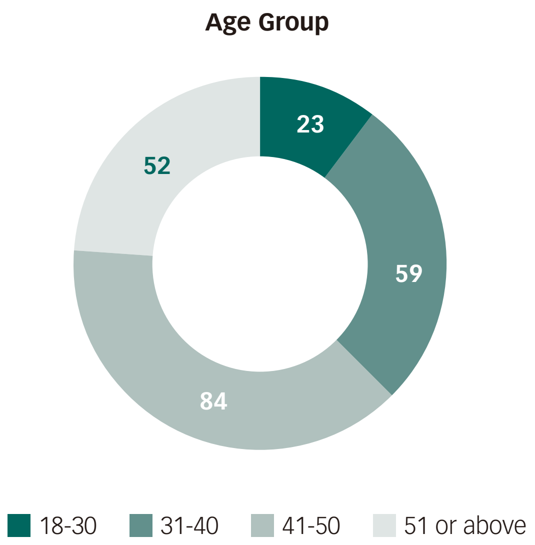
Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

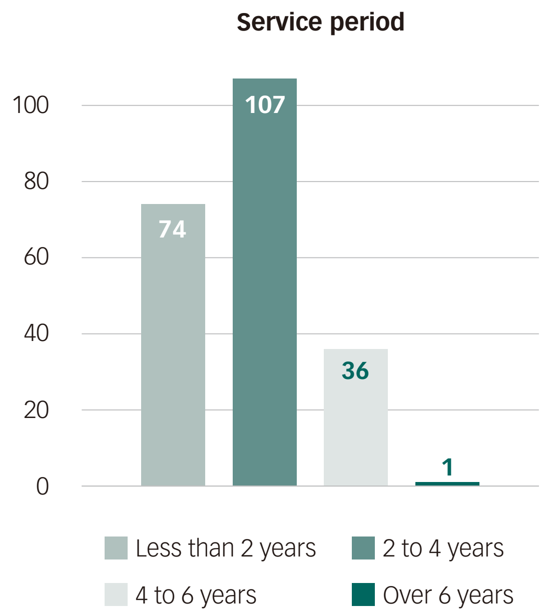
Social activities such as annual dinner, team building and other social events are organized for employees to participate so as to increase their work-life balance and enhance the relationship with employees. Accommodation and meals are also provided for the employees.

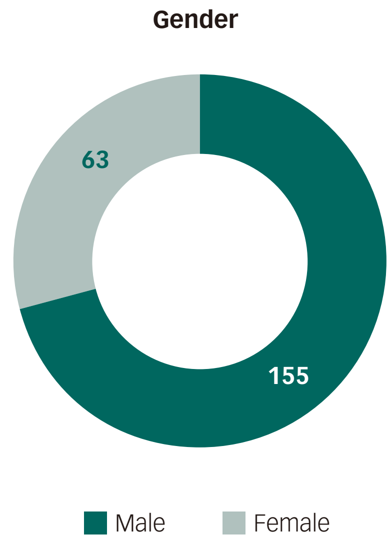
Anti-discrimination and equal opportunity

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group encourages labour diversity and welcomes all manpower, thus putting the principle of fairness into practices. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 31 December 2019.

	No. of staff
Total number of employees	218
Gender	
Male	155
Female	63
Age Group	
18–30	23
31–40	59
41–50	84
51 or above	52
Service period	
Less than 2 years	74
2 to 4 years	107
4 to 6 years	36
Over 6 years	1







For the year ended 31 December 2019, the Group employed 218 employees. The staff turnover rate of the Group is approximately 23%. The Group will continue to explore ways to improve employee turnover, enhance employee benefits and strengthen communication with employees. The male/female composition ratio of the Group is approximately 2.45:1. The difference in the composition can be explained by the difference in job nature. In addition, the Group welcome any age range of people to join the Group as long as they are keen to learn and participate.

Health and Safety

Workplace health and safety

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

The Group aims to ensure a safe occupational environment and manage health and safety risk at our production facilities. Warning signs are posted at prominent positions, with potential health impacts, handling procedures and preventive measures. Personal protective equipment such as safety gloves, masks and safety goggles are provided and required at work. Evaluation of safety practices is conducted on a regular basis. During the year ended 31 December 2019, the Group was not aware of any non-compliance with laws and regulations relating to health and safety issues.

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

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

Development and Training

Employee development and training

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

The training details of the staff for the year ended 31 December 2019:

	No. of staff attended training	Percentage of staff attended training
By Gender		
Male	85	46%
Female	50	60%

Labour Standards

Child labour and forced labour

Under the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, child labour and forced labour is strictly forbidden at all times. Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law. For the year ended 31 December 2019, there was no labour dispute in the Group.

Supply Chain Management

Supplier management

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

In order to enhance the sustainability of the supply chains and minimize carbon footprints, the Group manages to source raw materials locally. In 2019, the Group had 68 suppliers with a majority of the suppliers located in Jiangsu province and Shanghai city.

Product Responsibility

Product safety and quality

The policies which the Group has adopted to ensure customer satisfaction and product quality include the ability to exchange defected products, checking the materials before production and returning any defected materials to the suppliers immediately. Before products leaving the warehouse, there is another inspection for quality. There is also a one-year warranty provided for the customers. For the year ended 31 December 2019, no products were returned due to safety or quality problems nor complaint received from customers.

The Group obtained the ISO 9001 certification back in 1996. Production site of the Group is certified with ISO 9001:2015 Quality Management System in 2017. To ensure on-going compliance with the requirements listed in ISO 9001, evaluations on the performance are carried out at least once a year. The Group's products are in full compliance with Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》.

As for ensuring the service quality, the Group has set up the quality control department for responding the customer's requirements. In addition, quality control measures have been established in the prevention of unauthorized service provided, supervision in the installation service and indemnity from suppliers of installation service.

Privacy protection

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

During the year ended 31 December 2019, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, labelling and privacy matters relating to products.

Anti-Corruption

Anti-corruption and money laundering

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

During the year ended 31 December 2019, the Group was not aware of any non-compliances with anti-corruption and money laundering.

Community investment

Community involvement

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

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;

- Assessment will be taken on how to give business activities to the community; and

- The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

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.

As the Shares were listed on 17 January 2020, the Company was not required to comply with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2019. However, save as disclosed below, the Directors consider that since 17 January 2020 and up to the date of this report, the Company has adopted and complied with all the applicable code provisions set out in the CG Code.

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Since the Company was not listed until 17 January 2020, the Company did not maintain a directors and officers liability insurance during the year ended 31 December 2019. Upon Listing, the Company sought to arrange directors and officers liability insurance for the Directors. However, due to the prolonged Chinese New Year holiday period and the outbreak of the COVID-19 in January 2020, the time required in the process of negotiation, the said insurance cover was not completed until 19 April 2020. As such, the Company did not maintain directors and officers liability insurance for the Directors from the Listing Date to 18 April 2020. However, effective from 19 April 2020, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

Board of Directors

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

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

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

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

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

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

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

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

The Board currently comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. Two independent non-executive Directors have the appropriate professional accounting qualifications or related financial management experience and expertise. Each of the Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to the Company not less than one month's prior notice in writing.

The relationship of the chairman of the Board, Mr. Shen and an executive Director, Ms. Zhang is husband and wife while another executive director, Mr. Shen MH is the son of Mr. Shen and Ms. Zhang. Other than those, there is no financial, business or other material/relevant relationships among members of the Board.

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

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

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

Board Diversity Policy

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

Nomination Policy

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

Dividend Policy

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

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

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

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

Continuous Professional Development

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, the Group provides funding to all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group's business and to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, prior to the Listing Date, all Directors had participated in continuous professional development in the following manner:

	Attending training on Director's responsibilities provided by the Company's legal adviser	Reading materials issued during the training session
Executive Directors		
Mr. Shen	✓	✓
Ms. Zhang	✓	✓
Mr. Shen MH	✓	✓
Mr. Chen	✓	✓
Independent Non-executive Directors		
Mr. Ma	✓	✓
Mr. Yu	✓	✓
Ms. Shi	✓	✓

Board Meetings

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

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. During the year ended 31 December 2019, the Company held a board meeting to consider and approve the relevant resolutions in relation to the Listing. As the Shares were listed on 17 January 2020, the Company was not required to comply with the code provision A1.1 of the CG Code in the year ended 31 December 2019. A Board meeting was held on 26 March 2020, which is the first Board meeting of the Company since the Listing Date.

Chairman and Chief Executive Officer

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

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

Audit Committee

The Company established an audit committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The audit committee comprises three members, namely Mr. Ma, Ms. Shi, and Mr. Yu, all being independent non-executive Directors. Mr. Ma currently serves as the chairman of the audit committee.

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

The members of the audit committee should meet at least twice a year. Due to the fact that the Company was listed on 17 January 2020, the audit committee did not hold any meeting during the year ended 31 December 2019. The first meeting of the audit committee was held on 26 March 2020.

The Group's audited annual results in respect of the year ended 31 December 2019 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditor in respect of the year ended 31 December 2019.

Remuneration Committee

The Company established a remuneration committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The remuneration committee comprises three members, namely Mr. Shen, an executive Director, Mr. Yu and Ms. Shi, both being independent non-executive Directors. Mr. Yu currently serves as the chairman of the remuneration committee.

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

The members of the remuneration committee should meet at least once a year. Due to the fact that the Company was listed on 17 January 2020, the remuneration committee did not hold any meeting during the year ended 31 December 2019. The first meeting of the remuneration committee was held on 26 March 2020.

Remuneration payment made to senior management of the Group for the year ended 31 December 2019 falls within the following bands:

Remuneration Band (RMB)	**2019 Number of individuals**
Nil to RMB500,000	**2**

Nomination Committee

The Company established a nomination committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The nomination committee comprises three members, namely Mr. Chen, an executive Director, Ms. Shi and Mr. Ma, both being independent non-executive Directors. Ms. Shi currently serves as the chairman of the nomination committee.

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

The members of the nomination committee should meet at least once a year. Due to the fact that the Company was listed on 17 January 2020, the nomination committee did not hold any meeting during the year ended 31 December 2019. The first meeting of the nomination committee was held on 26 March 2020.

Compliance Adviser

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

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

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

(3) where the use of the net proceeds of the Global Offering differs from that detailed in Prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in the Prospectus; and

(4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

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

Company Secretary

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

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

Directors' and Auditor's Responsibilities for Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. As at 31 December 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditors' report on pages 46 to 51 of this report.

Auditors' Remuneration

For the year ended 31 December 2019, remuneration paid/payable to auditors for audit services and non-audit services is approximately RMB686,000 (2018: nil) and RMB18,000 (2018: nil), respectively, and RMB1,199,000 (2018: RMB1,792,000) for acting as the reporting accountant for the purpose of the Prospectus.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this report.

Risk Management and Internal Control

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

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

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

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

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. In preparation for the Listing, an independent external consulting firm has been appointed as the internal control consultant in September 2017 to undertake a review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions (the "Initial Review") and a follow up review (the "Follow Up Review") was also carried out in June 2019 after the Company implemented the recommended remedial measures. Both the Initial and Follow Up Reviews covered a four years period from January 2015 to December 2018. After the consideration of the remedial actions taken by the Group and results of the reviews by the internal control consultant, the Directors are of the view that the enhanced internal control measures are adequate and effective for the Group's operations.

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

Investor Relations

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

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

The first AGM of the Company will be held on 19 June 2020, the notice of which shall be sent to the Company's shareholders in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

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

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

Communication with Shareholders

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

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

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

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

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

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

Constitutional Documents

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

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

There was no change in the memorandum and articles of association of the Company since the Listing Date and up to the date of this report.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Corporate Reorganisation

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

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

Details of the Reorganisation are set out in note 2 to the consolidated financial statements. The Shares were listed on the Main Board of the Stock Exchange on 17 January 2020 by the Global Offering.

Principal Activities

The Group is principally engaged in the manufacturing and sales of access flooring products and provide related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 2 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

Property, Plant and Equipment

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

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 30(a) to the consolidated financial statements of this annual report.

Distributable Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 55 of this annual report.

The Group's reserves available for distribution to the shareholders as at 31 December 2019 amounted to approximately RMB157,892,000 (2018: RMB140,773,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last four financial years is set out on page 140 of this annual report.

Directors

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

Executive Directors:

Mr. Shen Min *(Chairman)*	(Appointed on 7 July 2017 and re-designated to executive Director and Chairman on 19 June 2019)
Mr. Chen Shiping *(Chief Executive Officer)*	(Appointed on 19 June 2019)
Ms. Zhang Yaying	(Appointed on 7 July 2017 and re-designated as executive Director on 19 June 2019)
Mr. Shen Minghui	(Appointed on 7 July 2017 and re-designated as executive Director on 19 June 2019)

Independent Non-executive Directors:

Mr. Ma Ving Lung	(Appointed on 13 December 2019)
Mr. Yu Chun Kau	(Appointed on 23 December 2019)
Ms. Shi Dongying	(Appointed on 13 December 2019)

In accordance with article 108 (a) and (b) and article 112 of the articles of association of the Company, Mr. Shen Min, Mr. Chen Shiping, Mr. Ma Ving Lung and Mr. Yu Chun Kau will retire from office as Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

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

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

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

As the Shares were listed on the Main Board of the Stock Exchange on 17 January 2020, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2019.

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

Name	Capacity/ Nature of interest	Number of shares *(Note 1)* held/ interested in	Percentage of interest in the Company
Mr. Shen *(Notes 2 and 3)*	Interest in a controlled corporation	377,625,000	37.76%
	Interest of spouse	231,375,000	23.14%
		609,000,000	60.90%
Ms. Zhang *(Notes 3 and 4)*	Interest in a controlled corporation	231,375,000	23.14%
	Interest of spouse	377,625,000	37.76%
		609,000,000	60.90%
Mr. Shen MH *(Note 5)*	Interest in a controlled corporation	131,475,000	13.15%

Notes:

1. All interests stated are long positions.

2. Mr. Shen owns 100% of the issued share capital of Jiachen Investment Limited ("Jiachen Investment"), which, in turn, holds 377,625,000 Shares. Accordingly, Mr. Shen is deemed to be interested in 377,625,000 Shares held by Jiachen Investment by virtue of the SFO.

3. Ms. Zhang owns 100% of the issued share capital of Xinchen Investment Limited ("Xinchen Investment"), which, in turn holds 231,375,000 Shares. Accordingly, Ms. Zhang is deemed to be interested in 231,375,000 Shares held by Xinchen Investment by virtue of the SFO.

4. Mr. Shen and Ms. Zhang are spouses. By virtue of the SFO, Mr. Shen is deemed to be interested in all of the Shares which are held by Ms. Zhang and Ms. Zhang is deemed to be interested in all of the Shares held by Mr. Shen.

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

Share Option Scheme

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

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

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

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

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

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

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

The principal terms of the Scheme are as follows:

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

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

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

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

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

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

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

No option had been granted by the Company under the Scheme since its inception. Subject to earlier termination by the Company in general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the remaining life of the Scheme is approximately 9.7 years from the date of this report.

Directors' Rights to Purchase Shares or Debentures

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

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

As the Shares were listed on the Main Board of the Stock Exchange on 17 January 2020, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2019. So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), immediately after the Listing, would have interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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

Notes:

1. All interests stated are long positions.

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

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

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

5. Mr. Shen MH and Ms. Liu Hui are spouses. By virtue of the SFO, Ms. Liu Hui is deemed to be interested in all of the Shares which are held by Mr. Shen MH.

Continuing Connected Transactions and Related Party Transactions

During the year ended 31 December 2019, 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 34 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Major Customers and Suppliers

For the year ended 31 December 2019, sales to the Group's five largest customers accounted for 25.2% (2018: 21.4%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 13.6% (2018: 5.2%).

For the year ended 31 December 2019, purchases from the Group's five largest suppliers accounted for 44.6% (2018: 40.5%) of the total purchases of raw materials and services of the Group, while the percentage of the total purchases of raw materials and services of the Group attributable to the Group's largest supplier was approximately 15.7% (2018: 14.8%).

None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2019.

Pre-Emptive Rights

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

Permitted Indemnity Provision

Since the Shares were not listed until 17 January 2020, the Company did not maintain a directors and officers liability insurance during the year ended 31 December 2019. A directors' liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

Competing Interests

Based on the confirmations provided by the Directors, that none of the substantial shareholders, namely Mr. Shen, Jiachen Investment, Ms. Zhang, Xinchen Investment, Mr. Shen MH and Yilong Investment (collectively the "Substantial Shareholders), the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2019 and up to the date of this report.

Deed of Non-Competition

All the Substantial Shareholders have entered into the Deed of Non-Competition in favour of the Company pursuant to which each of the covenantors has undertaken (for itself and for the benefit of each of the subsidiaries of the Group) that with effect from the Listing Date, they would not and would procure that none of their associates (except for any members of our Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in the PRC or such other places as the Group may conduct or carry on business from time to time including but not limited to the manufacturing and sale of access flooring products and provision of related installation services (the "Restricted Business").

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

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

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

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

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

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

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

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

The Shares were listed on the Main Board of the Stock Exchange on 17 January 2020. As the Shares were not listed on the Main Board of the Stock Exchange as at 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this report.

Sufficiency of Public Float

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

Business Review

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the chairman's statement on pages 3 and 4 and the management discussion and analysis on pages 5 to 12 of this annual report. These discussions form part of this report.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year under review.

Corporate Governance

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 17 to 26 of this annual report.

Events After the Reporting Period

Save as disclosed in note 39 to the consolidated financial statements, there is no significant event after the reporting period of the Group.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by Crowe (HK) CPA Limited ("Crowe"). Crowe shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the date of the Listing.

On behalf of the Board

Mr. Chen Shiping
Executive Director

Hong Kong, 28 April 2020

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

INDEPENDENT AUDITOR'S TO THE SHAREHOLDERS OF JIACHEN HOLDING GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JiaChen Holding Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 139, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

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

Key Audit Matters (Continued)

The key audit matter	How our audit addressed the key audit matter
Impairment of trade and bills receivables and contract assets	
(Refer to Notes 3(l)(i), 4(b)(iii), 20(a), 21 and 37(a) to consolidated financial statements)	Our procedures in relation to the impairment of trade and bills receivables and contract assets mainly included:
At 31 December 2019, the Group's trade and bills receivables and contract assets amounted to approximately RMB193.8 million and RMB61.1 million, after the allowance for expected credit losses ("ECL") of approximately RMB15 million and RMB1.3 million, respectively, and accounted for 53.9% and 17% of the Group's total assets, respectively. In the normal ordinary course of its business, the Group grants its customers with a credit period ranging from 60 to 365 days after billings. Contract assets represent the Group's rights to contract consideration for the promised access flooring plates and/or installation services transferred by the Group to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the access flooring plates and/or installation services transferred by the Group, other than on passage of time. When the rights to receipt of consideration for the performed obligations become unconditional, billings are issued to the customers and the contract assets are reclassified to trade and bills receivables. At 31 December 2019, contract assets also include retention monies, representing 3% to 10% of the consideration of the underlying contracts, of approximately RMB18.2 million retained by the customers and due for settlement only at the expiry date of the product assurance warranty period, usually within 1 to 2 years and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group. Contract assets have substantially the same risk characteristics as the trade and bills receivables for the same types of the sales contracts. The Group's customers are mainly the large property developers and state-owned enterprises in the PRC. The Group does not hold any collateral as security for the trade and bills receivables and contract assets. At 31 December 2019, 22% and 32% of the combined total of trade and bills receivables and contract assets were due from the Group's largest debtor and top five debtors, respectively. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after the year end. Loss allowances for trade and bills receivables and contract assets are measured at an amount equal to lifetime ECLs that are expected to result from all possible default events over the expected lives of the trade and bills receivables and contract assets. Lifetime ECLs on the trade and bills receivables and contract assets are estimated by reference to the collective risk characteristics of the customers, using a provision matrix based on the Group's historical credit loss experience, as adjusted for forward looking information, factors specific to the debtors and general economic environment. We identified the impairment of trade and bills receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements and management's significant judgement and inherent estimation uncertainties are involved in determining the ECL for trade and bills receivables and contract assets.	a) Evaluating the effectiveness of the key internal controls relating to the management's trade debt collection and impairment assessment of trade and bills receivables and contract assets; b) Evaluating the past matrix rates of historic credit losses for the different ageing bands of due and past due days of trade and bills receivables and contract assets; c) Corroborating the relevant consideration and objective evidences used by the management in assessing the expected credit losses of trade and bills receivables and contract assets; d) Reviewing past payment history of the Group's customers, testing the settlements from and billings to the customers during the year and after the year end and evaluating the supporting documentation for the estimated future cash flows for the trade and bills receivables and contract assets; e) Checking the analysis of the ageing bands for different groupings of due and past due trade debts in the provision matrix, and challenging the reasonableness of the provision rates applied in the ECL model adopted by the management, taking into consideration of historical credit loss rates and forward-looking information specific to the debtors, current and future economic and market conditions which might have impacts on the customers' abilities to settle their trade debts to the Group in future; f) Evaluating the implications arising from any discrepancy on the debtor confirmations directly obtained from the customers, making enquiries with management of and reviewing the correspondences with the customers for identifying any potential disputes with the customers; g) Conducting searches on the customers, on a sample basis; and h) Reviewing the adequacy of disclosures for the expected credit losses on trade and bills receivables and contract assets that were made in the consolidated financial statements.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 April 2020

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	6	**270,859**	248,785
Cost of sales		**(202,542)**	(188,619)
Gross profit		**68,317**	60,166
Other revenue and other net income	7	**1,951**	876
Selling and distribution expenses		**(5,031)**	(5,217)
Impairment of contract assets and trade receivables	9	**(5,778)**	(2,722)
Impairment of other receivables	9	**(323)**	–
Administrative expenses		**(28,358)**	(18,306)
Profit from operations		**30,778**	34,797
Finance costs	8	**(7,098)**	(4,814)
Profit before taxation	9	**23,680**	29,983
Income tax	10	**(4,389)**	(5,132)
Profit and total comprehensive income for the year		**19,291**	24,851
Attributable to:			
Owners of the Company		**19,100**	24,605
Non-controlling interests		**191**	246
Profit and total comprehensive income for the year		**19,291**	24,851
		RMB cents	RMB cents
Earnings per share			
Basic and diluted earnings per share	14	**2.55**	3.28

The notes on pages 58 to 139 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**28,061**	29,877
Land use rights	16	**8,040**	8,213
Right-of-use assets	17	**1,234**	1,904
Other intangible assets	18	**142**	190
Deferred tax assets	29(b)	**2,739**	3,121
		40,216	43,305
Current assets			
Inventories	19	**29,585**	31,006
Contract assets	20	**61,115**	89,263
Trade and bills receivables	21	**193,804**	123,181
Deposits, prepayments and other receivables	22	**14,877**	14,596
Restricted bank deposits	23	**3,470**	2,335
Cash and cash equivalents	24	**16,414**	16,155
		319,265	276,536
Total assets		**359,481**	319,841
Current liabilities			
Trade and bills payables	25	**37,579**	47,908
Contract liabilities	20	**2,186**	3,537
Accruals and other payables	26	**31,936**	30,455
Amounts due to shareholders and directors	34(b)	**–**	852
Lease liabilities	27	**827**	713
Bank borrowings	28	**113,368**	78,284
Tax payable	29(a)	**1,817**	4,860
		187,713	166,609
Net current assets		**131,552**	109,927
Total assets less current liabilities		**171,768**	153,232
Non-current liabilities			
Lease liabilities	27	**2,063**	2,818
Net assets		**169,705**	150,414

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Equity			
Share capital	30(a)	-	–
Reserves	30	**168,025**	148,925
Equity attributable to owners of the Company		**168,025**	148,925
Non-controlling interests	31	**1,680**	1,489
Total equity		**169,705**	150,414

Approved and authorised for issue by the board of directors on 28 April 2020.

Shen Min
Director

Chen Shiping
Director

The notes on pages 58 to 139 form an integral part of these financial statements.

	Equity attributable to owners of the Company							
	Share capital RMB'000 (Note 30(a))	Share premium RMB'000 (Note 30(d)(i))	Capital reserve RMB'000 (Note 30(b))	Statutory reserve RMB'000 (Note 30(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 31)	Total RMB'000
At 1 January 2018	60,192	–	1,572	5,692	54,919	122,375	1,237	123,612
Capital contribution to JiaChen Floor for 1.27% equity interest in JiaChen Floor by an investor	780	–	955	–	–	1,735	–	1,735
Effect on non-controlling interests arising from capital contribution to JiaChen Floor	–	–	(4)	–	–	(4)	4	–
Effects of First Equity Swap made with Controlling Shareholders on 23 January 2018 in the Reorganisation *(Note 30(d)(i))*	(60,192)	60,192	–	–	–	–	–	–
Effects of Second Equity Swap on 15 March 2018 *(Note 30(d)(i))*	(780)	1,735	(955)	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	24,605	24,605	246	24,851
Transfer of statutory reserve *(Note 30(c))*	–	–	–	2,460	(2,460)	–	–	–
Deemed contributions by shareholders *(Note 34(f))*	–	–	–	–	214	214	2	216
At 31 December 2018 and 1 January 2019	**–**	**61,927**	**1,568**	**8,152**	**77,278**	**148,925**	**1,489**	**150,414**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**19,100**	**19,100**	**191**	**19,291**
Transfer of statutory reserve *(Note 30(c))*	**–**	**–**	**–**	**1,981**	**(1,981)**	**–**	**–**	**–**
At 31 December 2019	**–**	**61,927**	**1,568**	**10,133**	**94,397**	**168,025**	**1,680**	**169,705**

The notes on pages 58 to 139 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		23,680	29,983
Adjustments for:			
Interest income	7	(1,038)	(104)
Finance costs	8	7,098	4,814
Impairment of contract assets and trade receivables	9	5,778	2,722
Impairment of other receivables	22	323	–
Depreciation of property, plant and equipment	15	4,667	4,343
Amortisation of right-of-use assets	17	819	812
Amortisation of land use rights	16	173	173
Amortisation of other intangible assets	18	48	48
Net loss on disposal of property, plant and equipment	9	15	37
Operating profit before changes in working capital		41,563	42,828
Decrease in inventories		1,421	12,605
Increase in contract assets, trade and other receivables		(44,591)	(44,002)
(Decrease)/increase in trade and bills payables		(10,329)	15,121
Decrease in other payables and contract liabilities		(933)	(2,521)
Cash (used in)/generated from operations		(12,869)	24,031
Tax paid	29	(7,050)	(4,029)
Cash (used in)/generated from operating activities		(19,919)	20,002
Investing activities			
Payment for acquisition of property, plant and equipment		(2,684)	(1,427)
Proceeds from disposal of property, plant and equipment		9	525
Payment for acquisition of other intangible assets		(9)	(19)
(Placement)/withdrawal of restricted bank deposits		(1,135)	279
Interest received		115	104
Net cash used in investing activities		(3,704)	(538)

	Note	2019 RMB'000	2018 RMB'000
Financing activities			
Proceeds from bank borrowings	35(a)	**120,849**	87,284
Repayment of bank borrowings	35(a)	**(85,765)**	(72,500)
Repayment of other borrowings	35(a)	**–**	(20,000)
Repayment of loans from related parties	35(a)	**–**	(6,770)
Payment for capitalised listing expenses		**(3,662)**	(1,362)
Proceeds of advances from a shareholder and director	34(b)	**21**	1,829
Repayments of advances from shareholders and directors	34(b)	**(873)**	(994)
Repayment of lease liabilities	27	**(790)**	(670)
Capital contribution from an investor		**–**	1,735
Interest paid	35(a)	**(5,898)**	(4,823)
Net cash generated from/(used in) financing activities		**23,882**	(16,271)
Increase in cash and cash equivalents		**259**	3,193
Cash and cash equivalents at beginning of year		**16,155**	12,962
Cash and cash equivalents at end of year		**16,414**	16,155

The notes on pages 58 to 139 form an integral part of these financial statements.

1. Corporate Information

JiaChen Holding Group Limited (the "Company") was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KYI-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").

At 31 December 2019, 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.

At 31 December 2019, there were 10,130 shares of the Company in issue, out of which, 50.34%, 30.85%, 17.54% and 1.28% were owned by Jiachen Investment, Xinchen Investment Limited ("Xinchen Investment"), a company incorporated in the BVI and wholly owned by 章亞英 (Ms. Zhang Yaying) ("Ms. Zhang" or "Mrs. Shen") who is the spouse of Mr. Shen, and Yilong Investment Limited ("Yilong Investment"), a company incorporated in the BVI and wholly owned by 沈明暉 (Mr. Shen Minghui) ("Mr. Shen MH"), and Crystal Breeze Ventures Limited ("Crystal Breeze Ventures"), a company incorporated in the BVI, respectively. Mr. Shen MH is the son of Mr. Shen and Mrs. Shen.

On 16 January 2020, as disclosed in Note 39(a) below, the Company issued 250,000,000 new shares of HK$0.01 each at HK$0.53 per offer share in the Global Offering in accordance with the Company's Prospectus dated 31 December 2019 and, as disclosed in Note 39(b) below, 749,989,870 new shares of HK$0.01 each by capitalisation of an aggregate amount of HK$7,499,898.70 (or RMB6,642,000) out of the share premium account of the Company to its then existing shareholders (namely Jiachen Investment, Xinchen Investment, Yilong Investment and Crystal Breeze Ventures) immediately prior to 16 January 2020, on a pro rata basis. Since 16 January 2020 and up to the date of approval of the consolidated financial statements, 37.76%, 23.14% and 13.15% of the issued capital of the Company have been owned by Jiachen Investment, Xinchen Investment and Yilong Investment, respectively.

Since 17 January 2020, as disclosed in Note 39(a) below, all the 1,000,000,000 shares HK$0.01 each of Company in issue have been subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Reorganisation and Subsidiaries

In preparing for the initial listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing") on 17 January 2020 as referred to in Note 39(a) below, the companies comprising the Group underwent a series of reorganisation (the "Reorganisation") which was completed during the last year ended 31 December 2018, as set out in the Company's prospectus dated 31 December 2019 for the Global Offering.

The Company has direct and indirect interests in the following subsidiaries at 31 December 2019 and 2018:

Name	Principal activities	Country of business/ incorporation	Form of legal entity	Date of incorporation	Issued and paid up capital	Effective interest held by the Company
Directly held by the Company						
LeiShuo Ventures Development Limited ("LeiShuo Ventures")	Investment holding	BVI	Limited liability company	18 July 2017	US$1	100%
Rui Xing Holdings Limited ("Rui Xing Holdings")	Investment holding	BVI	Limited liability company	5 July 2016	US$1	100%
Indirectly held by the Company						
Jinyueda Development Limited ("Jinyueda Development")	Investment holding	HK	Limited liability company	11 August 2017	HK$1	100%
Victor Best Investment Limited ("Victor Best Investment")	Investment holding	HK	Limited liability company	30 June 2016	HK$1	100%
常州市金港商務信息咨詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*) ("Changzhou Jingang")	Investment holding	PRC	Limited liability company	9 December 2017	RMB1,000,000	100%
常州市金台商務信息咨詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) ("Changzhou Jintai")	Investment holding	PRC	Limited liability company	8 December 2017	RMB1,000,000	99%
佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd.*) ("JiaChen Floor")	Manufacturing and supply of steel access flooring plates and calcium-sulfate access flooring plates	PRC	Limited liability company	18 September 2009	RMB61,580,000	99.01%

Changzhou Jingang, being a wholly-owned subsidiary of Jinyueda Development and a wholly foreign-owned enterprise, directly holds 99% of the registered capital of Changzhou Jintai while Changzhou Jintai and Victor Best Investment directly hold 98.73% and 1.27% of the registered capital of JiaChen Floor, respectively.

JiaChen Floor is the core operating entity of the Group during the two years ended 31 December 2019 and 2018.

3. Significant Accounting Policies

(a) Statement of compliance

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

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

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period, details of which are set out in Note 40.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the financial result of Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of the Group. These consolidated financial statements are presented in RMB, as the Group primarily operates in Mainland China, 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 the consolidated 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 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 not readily apparent from other sources. Actual results may differ from these estimates.

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

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

3. Significant Accounting Policies (Continued)

(c) Changes in accounting policies

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

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Cycle Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the new and amendments to HKFRSs and the interpretation in the current year have had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has early adopted and consistently applied HKFRS 16 in the consolidated financial statements since 1 January 2014.

HKFRS 16, which was issued in May 2016, replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liability similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows applying HKAS 7 "Statement of Cash Flows".

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group recognised a lease liability at the date of initial application (i.e. 1 January 2014), for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4, and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts equal to lease liabilities since 1 January 2014 or the commencement date of the lease where it is a later date, and were discounted using the Group's incremental borrowing rate at the date of initial application, being 1 January 2014 or the commencement date of the lease where it is a later date. The recognition of the right-of-use assets and lease liabilities under HKFRS 16 are disclosed in Notes 17 and 27 respectively.

As described above, there were no material impacts on the Group's net assets, net results and net cash flows on the consolidated financial statements, arising from the early adoption of the HKFRS 16, for the two years ended 31 December 2019 and 2018.

3. Significant Accounting Policies (Continued)

(d) Basis of combination

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls on investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders and other parties; and
- Rights arising from other contractual arrangements. Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies (Continued)

(d) Basis of combination (Continued)

Profit or loss and each component of other comprehensive income are attributed to the beneficial owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group balances, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

(e) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

(f) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income include the results of each of the companies comprising the Group from the earliest date presented or since their dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination.

All inter-company transactions and balances have been eliminated on combination.

3. Significant Accounting Policies (Continued)

(g) Subsidiary

A subsidiary is an interest over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(h) Property, plant and equipment

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

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

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

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

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

(i) Intangible assets (other than goodwill)

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

(i) Computer software

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

3. Significant Accounting Policies (Continued)

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

(ii) Research and development expenditure

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

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

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

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3. Significant Accounting Policies (Continued)

(j) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

– periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

– periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the directors of the Company consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the standalone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

– is within the control of the Group; and

– affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

3. Significant Accounting Policies (Continued)

(j) Leases (Continued)

The Group as a lessee (Continued)

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (i) there is a change in the lease term as a result of reassessment of certainty to exercise an extension option, or not to exercise a termination option as discussed above; or (ii) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (i) there is a change in the amounts expected to be payable under a residual value guarantee; or (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liability by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group uses a revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

3. Significant Accounting Policies (Continued)

(j) Leases (Continued)

Lease liability (Continued)

The Group accounts for a lease modification as a separate lease if both:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate lease, the Group, at the effective date of the lease modification: (i) allocates the consideration in the modified contract; (ii) determines the lease term of the modified lease; and (iii) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

– amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligations for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

(k) Land use rights

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

3. Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Impairment of financial assets carried at amortised costs and contract assets

The Group determines impairment losses for financial assets carried at amortised cost with a forward-looking expected credit loss (ECLs) approach.

The Group has these types of financial assets and contract assets subject to the expected credit loss model in accordance with HKFRS 9:

– Contract assets and trade and bills receivables; and

– Financial assets included in deposits and other receivables, restricted bank deposits and cash and cash equivalents.

Measurements of ECLs

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset, receivable or contract asset that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

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

3. Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of financial assets carried at amortised costs and contract assets (Continued)

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

Depending whether there has been a significant increase in credit risks since the initial recognition, ECLs are measured on either of the following bases:

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

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

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

For all other financial assets (including deposits and other receivables, restricted bank deposits and cash and cash equivalents), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of these other financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of financial assets carried at amortised costs and contract assets (Continued)

Significant increases in credit risk (Continued)

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

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

Basis of calculation of interest income

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

Credit-impaired financial assets and contract assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised costs or contract assets are credit-impaired. A financial asset or contract asset of the Group is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset or contract asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the debtor;

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

– the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;

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

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. Significant Accounting Policies (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of non-financial assets (other than contract assets, Note 3(n) below)

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

- land use rights;
- property, plant and equipment;
- right-of-use assets; and
- intangible assets.

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

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

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

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favorable change in the estimate used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. Significant Accounting Policies (Continued)

(m) Inventories

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

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

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

(n) Contract assets

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide service to the customer. A contract asset is recognised when the Group has the right to consideration in exchange for goods or services that the Group has transferred to a customer and that right to receive consideration is conditional on the quality and quantity checks by the customers on these transferred goods or services, other than the passage of time. A contract asset becomes a trade receivable when receipt of the consideration is conditional only on the passage of time.

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

(o) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 3(l)(i)).

3. Significant Accounting Policies (Continued)

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case, they are stated at cost.

(r) Contract liabilities

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

(s) Cash and cash equivalents

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

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement benefits schemes

The subsidiaries of the Company located in the PRC participate in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The PRC subsidiaries of the Company are required to contribute certain percentage of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to profit or loss of the Group as they become payable in accordance with the rules of scheme.

3. Significant Accounting Policies (Continued)

(u) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(v) Revenue recognition

(i) Revenue from contracts with customers

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

More specifically, revenue is recognised as follows:

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

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

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

(4) Income from provision of after-sale repair services is recognised when the after-sale repair services are rendered by the Group and accepted by the customer, in accordance with the terms of the contract made with the customer. During the two years ended 31 December 2019 and 2018, no after-sale repair service was rendered by the Group.

The Group's rights to consideration for the promised access flooring plates and installation services transferred by the Group to the customers under the underlying contracts but not yet billed, as the rights to receipt of consideration are still conditional on something other than on passage of time, are recognised as contract assets, and when the Group's rights to receipt of consideration from the customers become unconditional, the rights to consideration for contract obligations performed are transferred to trade receivables. Contract assets also include retention monies, representing 3% to 10% of the contract price, retained by the customers and will be due for settlement only at the end of specified product assurance warranty period, usually within 1-2 years, and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group, in accordance with terms of the underlying contracts. The payment terms differ from contracts to contracts and are based on commercial negotiations made between the Group and the customers. Most of the payments are payable according to the specified milestone stage of performance of the contracts and with a credit term ranging from 60 to 365 days, based on the Group's evaluation on the creditworthiness of the customers. The payments are commensurate with the Group's performances and under the contracts, retention monies retained by the customers are intended for protection against non-performance. Other than the factoring arrangement for trade receivables in respect of Customer A, as referred to Note 21(a) below, to which the Group has allowed a credit period of 365 days after invoice date and from which the Group earns interest which is recognised as it accrues using the effective interest rate method (see (ii) below) on the trade receivables of Customer A over the credit period of 365 days at rates same as the prevailing interest rates of the related factored bank loans, the Group does not intend to give a financing to its other customers and the Group makes efforts to collect the receivables and timely monitors the credit risk.

3. Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

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

(ii) Interest income

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

(iii) Government grant/subsidy income

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

3. Significant Accounting Policies (Continued)

(w) Borrowing costs

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

(x) Translation of foreign currencies

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

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

(y) Provisions and contingent liabilities

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

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

3. Significant Accounting Policies (Continued)

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

(aa) Offsetting financial instruments

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

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's business of manufacturing and supply of revised steel floor plates and geographical locations.

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

4. Accounting Estimates and Judgements

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

(a) Judgement

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

(i) Tax

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

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

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

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty

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

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

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

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

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

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

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

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

(ii) Net realisable value of inventories

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

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

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

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

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

4. Accounting Estimates and Judgements (Continued)

(b) Estimation uncertainty (Continued)

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

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

(vi) Product warranty

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the access flooring plates, which were sold by the Group, and control of access flooring plates were passed to the customers over time (which is taken as when the access flooring plates are installed onto the customers' properties or possession of the access flooring plates are accepted by the customers) or at a point in time, for a specified period of time normally falling between 1 to 2 years, on a contract by contract basis, after the control of access flooring plates were transferred to the customers under the relevant sales contracts. Management of the Group considered that the warranty clauses only provide the customers with assurance that the access flooring plates will function as the Group and the customers, being parties to the contracts, intended in accordance with the agreed-upon specifications and accordingly, the warranty clauses do not provide the customers with a service in addition to assurance that the access flooring plates comply with agreed-upon specifications. There were no significant costs incurred in the past for those access flooring plates after sales during the warranty period and during the two years ended 31 December 2019 and 2018. Management of the Group is not aware of any events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates sold to the customers.

(vii) Impairment of non-financial assets

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

5. Operating Segment Information

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

– Steel access flooring plates; and

– Calcium-sulfate access flooring plates.

(a) Segment results, assets and liability

For the purpose of assessing segment performance and allocation 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 other payables and bank and other 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 measure reported to the Group's most senior executive management, who are also the executive directors of the Company, for the purpose of resources allocation and performance assessment.

5. Operating Segment Information (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2019 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Reportable segment revenue from external customers	**221,946**	204,319	**48,913**	44,466	**270,859**	248,785
Reportable segment gross profit	**56,120**	48,387	**12,197**	11,779	**68,317**	60,166
Reportable segment profit	**34,825**	31,438	**7,465**	8,142	**42,290**	39,580
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	**49**	197	**10**	41	**59**	238
– Scrap sales	**846**	559	**–**	–	**846**	559
– Net loss on disposal of property, plant and equipment	**(15)**	(37)	**–**	–	**(15)**	(37)
– Exchange gain/(loss), net	**14**	(104)	**3**	(8)	**17**	(112)
– Sundry income	**6**	120	**–**	4	**6**	124
Depreciation and amortisation	**3,703**	3,402	**1,595**	1,529	**5,298**	4,931
Impairment of trade receivables	**4,704**	2,001	**1,037**	435	**5,741**	2,436
Impairment of contract assets	**30**	235	**7**	51	**37**	286
Impairment of other receivables	**323**	–	**–**	–	**323**	–
Reportable segment assets	**287,460**	232,710	**48,138**	60,884	**335,598**	293,594
Additions to non-current segment assets during the year	**608**	1,182	**2,404**	582	**3,012**	1,764
Reportable segment liabilities	**164,475**	142,900	**12,676**	17,733	**177,151**	160,633

5. Operating Segment Information (Continued)

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

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment total revenue and consolidated revenue	**270,859**	248,785
Profit or loss		
Reportable segment results	**42,290**	39,580
Unallocated other revenue	**1,038**	104
Unallocated head office and corporate expenses	**(12,550)**	(4,887)
Unallocated finance costs	**(7,098)**	(4,814)
Consolidated profit before taxation	**23,680**	29,983

(c) Reconciliations of reportable assets and liabilities

	2019 RMB'000	2018 RMB'000
Assets		
Reportable segment assets	**335,598**	293,594
Unallocated head office and corporate assets	**23,883**	26,247
Consolidated total assets	**359,481**	319,841
Liabilities		
Reportable segment liabilities	**177,151**	160,633
Unallocated head office and corporate liabilities	**12,625**	8,794
Consolidated total liabilities	**189,776**	169,427

5. Operating Segment Information (Continued)

(d) Information about major customers

Revenue from the Group's major customers, which individually accounted for 10% or more of the total revenue of the Group, is set out below:

	2019 RMB'000	2018 RMB'000
Steel access flooring plates:		
Customer A *(Note 21(a))*	**36,738**	N/A

N/A – not applicable

(e) Geographical information

The Group's operations are located in the PRC. All non-current assets of the Group are 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.

	2019 RMB'000	2018 RMB'000
PRC	**249,963**	226,046
Hong Kong	**3,513**	1,867
Other countries	**17,383**	20,872
	270,859	248,785

6. Revenue

	2019 *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	**257,753**	238,202
– Provision of installation services	**13,106**	10,583
	270,859	248,785
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	**216,814**	186,510
– Supply of access floor plates	**52,634**	62,239
– Provision of installation services	**1,411**	36
	270,859	248,785

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue recognised over time:		
– Sales of access flooring plates	**205,119**	175,963
– Provision of installation services	**13,106**	10,583
	218,225	186,546
Revenue recognised at a point in time:		
– Sales of access flooring plates	**52,634**	62,239
	270,859	248,785

7. Other Revenue and Other Net Income

	2019 RMB'000	2018 RMB'000
Other revenue:		
Bank interest income	**115**	104
Other interest income	**923**	–
	1,038	104
Other net income or loss:		
Government subsidies *(Note below)*	**59**	238
Scrap sales	**846**	559
Net loss on disposal of property, plant and equipment	**(15)**	(37)
Exchange gain/(loss), net	**17**	(112)
Sundry income	**6**	124
	913	772
	1,951	876

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

8. Finance Costs

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	**6,647**	3,073
Interest on other borrowings	**–**	468
Implicit interest on loans from related parties and amounts due to shareholders and directors *(Note 34(f))*	**–**	216
Loss on derecognition of financial assets upon factoring without recourse	**319**	899
Unwinding of finance costs on lease liabilities *(Note 27)*	**132**	158
	7,098	4,814

9. Profit Before Taxation

Profit before taxation is stated at after charging:

	2019 **RMB'000**	2018 RMB'000
Contract costs of goods sold and services rendered *(Note (a))*	**202,542**	188,619
Depreciation of property, plant and equipment *(Note 15)*	**4,667**	4,343
Amortisation of right-of-use assets *(Note 17)*	**819**	812
Amortisation of other intangible assets *(Note 18)*	**48**	48
Amortisation of land use rights *(Note 16)*	**173**	173
Impairment of trade receivables *(Note 21(b))*	**5,741**	2,436
Impairment of contract assets *(Note 20(a)(vi))*	**37**	286
	5,778	2,722
Impairment of other receivables *(Note 22)*	**323**	–
Net loss on disposal of property, plant and equipment	**15**	37
Auditor's remuneration	**704**	–
Listing expenses:		
– Auditor	**1,199**	1,792
– Other professional fees	**10,259**	2,293
Operating lease charges in respect of properties and land use rights	**325**	200
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**10,844**	10,913
– Contributions to defined contribution retirement plans	**3,004**	3,247
Research and development costs *(Note (b))*	**9,911**	8,282

Note:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of the goods sold and services rendered were the raw materials consumed of approximately RMB153,997,000 (2018: RMB146,789,000), staff costs of approximately RMB6,658,000 (2018: RMB6,609,000), installation costs of approximately RMB11,511,000 (2018: RMB9,463,000), transportation costs of approximately RMB13,682,000 (2018: RMB12,278,000), depreciation of property, plant and equipment of approximately RMB3,856,000 (2018: RMB3,699,000) and amortisation of right-of-use assets of approximately RMB647,000 (2018: RMB647,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB7,779,000 (2018: RMB5,950,000), staff costs of approximately RMB1,287,000 (2018: RMB1,553,000) and depreciation of property, plant and equipment of approximately RMB213,000 (2018: RMB247,000), of which, their respective total amounts were disclosed above for each type of these expenses.

10. Income Tax

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

No provision for the Hong Kong Profits Tax has been made as the Company has no taxable income derived in Hong Kong during the years ended 31 December 2019 and 2018.

Jinyueda Development and Victor Best Investment, which were incorporated in Hong Kong in 2017, are subject to Hong Kong Profits Tax at the rate of 16.5% on the assessable profits in Hong Kong. Neither Jinyueda Development nor Victor Best Investment has assessable profits derived in Hong Kong during the years ended 31 December 2019 and 2018.

LeiShuo Ventures and Rui Xing Holdings were incorporated in the BVI and none of them has assessable profits derived in Hong Kong during the years ended 31 December 2019 and 2018.

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 for year ended 31 December 2019, while it was subject to the applicable standard rate of 25% on its taxable profit for the last year ended 31 December 2018. Changzhou Jintai and Changzhou Jingang, which were established in the PRC in 2017, are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits and each of Changzhou Jintai and Changzhou Jingang has no taxable profit since their respective dates of establishment.

During the years ended 31 December 2019 and 2018, in accordance with the then applicable notice "Cai Shui [2015] Notice 119" and the new notice "Cai Shui [2018] Notice 99", 75% of the Group's qualifying research and development expenses were allowed as additional deductions for the purposes of the CIT calculations. Details of the Group's research and development expenses during the year ended 31 December 2019 are disclosed in Note 9(b).

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. As set out in Note 29(b), at 31 December 2019, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

10. Income Tax (Continued)

(a) Income tax in the consolidated statement of profit or loss represents

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

	2019 RMB'000	2018 RMB'000
Current tax – PRC Corporation Income Tax ("CIT")		
– Charge for the year	**4,007**	6,788
Deferred tax		
– Origination and reversal of temporary differences (Note 29(a))	**382**	(1,656)
	4,389	5,132

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**23,680**	29,983
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	**5,981**	7,495
Effect of preferential income tax policy in PRC	**(2,439)**	–
Tax effect of non-deductible expenses	**1,575**	851
Tax effect for additional deduction on qualifying research and development expenses	**(1,110)**	(1,558)
Effect on deferred tax balances resulting from a change in tax rate for 2019 and 2018	**1,248**	(976)
Tax effect of temporary differences recognised	**(866)**	(680)
Income tax expense for the year	**4,389**	5,132

11. Directors' and Chief Executive's Remuneration

Certain directors of the Company received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. Details of the remuneration of each of these directors of the Company as recorded in the financial statements of the subsidiaries for the two years ended 31 December 2019 and 2018, which were included in the staff costs as disclosed in Note 9, are set out below:

	Year ended 31 December 2019			
	Directors' fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Shen Min (沈敏) ("Mr. Shen")	–	218	–	218
Ms. Zhang Ya Ying (章亞英) ("Mrs. Shen")	–	104	–	104
Mr. Shen Ming Hui (沈明暉) ("Mr. Shen MH")	–	130	44	174
Mr. Chen Shiping (陳仕平) ("Mr. Chen")	–	218	74	292
	–	670	118	788

	Year ended 31 December 2018			
	Directors' fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Shen Min (沈敏) ("Mr. Shen")	–	218	40	258
Ms. Zhang Ya Ying (章亞英) ("Mrs. Shen")	–	104	5	109
Mr. Shen Ming Hui (沈明暉) ("Mr. Shen MH")	–	130	47	177
Mr. Chen Shiping (陳仕平) ("Mr. Chen")	–	228	80	308
	–	680	172	852

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

(a) No emolument was paid and payable to any of the directors of the Company and the five highest paid individuals of the Group, set out in Note 12 below, as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2019. None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments for the two years ended 31 December 2019 and 2018.

(b) Mr. Shen, Mrs. Shen and Mr. Shen MH are the directors of JiaChen Floor, which is the key operating entity of the Group, and the key management of the Group during the two years ended 31 December 2019 and 2018. They were appointed as the directors of the Company on 7 July 2017 and were re-designated as the executive directors of the Company on 19 June 2019. Mr. Shen is the chairman of the board of directors of the Company.

(c) Mr. Chen is the general manager of JiaChen Floor, which is the key operating entity of the Group during the two years ended 31 December 2019 and 2018. Mr. Chen was appointed as the chief executive officer and an executive director of the Company on 19 June 2019.

(d) During the two years ended 31 December 2019 and 2018, no emolument was paid or payable to each of Mr. Ma Ving Lung, Ms. Shi Dongying and Mr. Yu Chun Kau who were appointed as independent directors of the Company on 13 December 2019, 13 December 2019 and 23 December 2019, respectively.

12. Emoluments of Five Highest Paid Individuals

Of the five highest paid individuals of the Group, four (2018: four) are the directors of the Company, whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other one (2018: one) are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries and other emoluments	**65**	70
Pension scheme contributions	**22**	24
	87	94

The emoluments of the other one individual (2018: one individual) with the highest emoluments of the Group are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
Nil – HK$1,000,000	**1**	1

13. Dividends

During the two years ended 31 December 2019 and 2018, no dividend was declared and paid to the then shareholders of the companies now comprising the Group.

14. Earnings Per Share

As of 31 December 2019, the Company had 10,130 ordinary shares in issue. As disclosed in Note 39(a) below, on 17 January 2020, the Company completed the Listing of its 1,000,000,000 ordinary shares in issue on the Main Board of the Stock Exchange, including these 10,130 ordinary shares in issue at 31 December 2019, 250,000,000 new ordinary shares issued in the Global Offering and 749,989,870 new ordinary shares issued by way of capitalisation out of the share premium to the Company's shareholders, on 16 January 2020. The calculation of the basic earnings per share for each of the two years ended 31 December 2019 and 2018 is based on the following data:

	2019 ***RMB'000***	2018 *RMB'000*
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	**19,100**	24,605
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic earnings per share	**750,000**	750,000

Basic earnings per share for the year ended 31 December 2019 amounted to RMB2.55 cent (2018: RMB3.28 cent) per share. The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of 749,989,870 shares of the Company to its shareholders, which was completed on 16 January 2020 (Note 39(b)), as if it had been effective at the beginning of the Reorganisation and on 1 January 2018.

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

15. Property, Plant and Equipment

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1/1/2018	13,772	33,429	905	2,229	50,335
Additions	–	1,285	18	–	1,303
Disposals	–	(599)	–	(194)	(793)
At 31/12/2018 and 1/1/2019	13,772	34,115	923	2,035	50,845
Additions	–	2,862	13	–	2,875
Disposals	–	(56)	–	–	(56)
At 31/12/2019	13,772	36,921	936	2,035	53,664
Accumulated depreciation and impairment					
At 1/1/2018	3,805	12,188	512	351	16,856
Charge for the year	654	3,372	111	206	4,343
Written back on disposal	–	(156)	–	(75)	(231)
At 31/12/2018 and 1/1/2019	4,459	15,404	623	482	20,968
Charge for the year	654	3,515	112	386	4,667
Written back on disposal	–	(32)	–	–	(32)
At 31/12/2019	5,113	18,887	735	868	25,603
Carrying amounts					
At 31/12/2019	8,659	18,034	201	1,167	28,061
At 31/12/2018	9,313	18,711	300	1,553	29,877

(a) As at 31 December 2019, leasehold buildings with carrying amount of approximately RMB8,659,000 (2018: RMB9,313,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 28.

(b) During the year ended 31 December 2019, depreciation expense was charged to "cost of sales and services", "selling and distribution expenses" and "administrative expenses", respectively as follow:

	2019 RMB'000	2018 RMB'000
Cost of goods sold and services rendered	**3,856**	3,699
Selling and distribution expenses	**26**	39
Administrative expenses	**785**	605
	4,667	4,343

16. Land Use Rights

	2019 RMB'000	2018 RMB'000
Beginning of the year	**8,386**	8,559
Addition	**–**	–
Amortisation	**(173)**	(173)
End of the year	**8,213**	8,386
Analysed for reporting purpose as:		
Current assets	**173**	173
Non-current assets	**8,040**	8,213
	8,213	8,386

Note:

(a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 48 (2018: 49) years at 31 December 2019.

(b) As at 31 December 2019, the carrying amount of land use rights of approximately RMB8,213,000 (2018: RMB8,386,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in Note 28.

17. Right-of-Use Assets

	RMB'000
Cost	
At 1 January 2018	5,120
Addition	479
At 31 December 2018 and 1 January 2019	5,599
Addition	149
At 31 December 2019	5,748
Accumulated amortisation and impairment	
At 1 January 2018	2,883
Amortisation for the year	812
At 31 December 2018 and 1 January 2019	3,695
Amortisation for the year	819
At 31 December 2019	4,514
Carrying amounts	
At 31 December 2019	1,234
At 31 December 2018	1,904

17. Right-of-Use Assets (Continued)

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

(b) On 21 September 2013, the Group entered into a long-term lease contract with an independent third party from which the Group leased a factory building located in the PRC for a lease term of 10 years, commencing from 31 October 2013 to 30 September 2023, at annual rent of RMB575,040 for the first three years and an annual increment of RMB25,000 starting from the fourth year which was subsequently amended to the fifth year on 31 December 2015. At the modification date of the lease contract, the fair value of both the rights-of-use of the leased factory building and the leased liabilities amounted to approximately RMB5,105,000 which was determined with reference to the present value of the future lease payments over the remaining lease term of the lease contract, discounted at the rate of 4.90% per annum by reference to the then incremental borrowing rate of the Group around the lease modification date. The right-of-use assets in respect of the leased factory were amortised on a straight-line basis over the estimated useful life which is the same as the lease term. At 31 December 2019, the carrying amount of the right-of-use of the leased factory building under the long-term lease contract was approximately RMB895,000 (2018: RMB1,542,000). Further details of leased liabilities are set out in Note 27.

(c) During the year ended 31 December 2019, depreciation expense was charged to "cost of sales and services" and "selling and distribution expenses", respectively as follows:

	2019	2018
	RMB'000	*RMB'000*
Cost of goods sold and services rendered	**647**	647
Selling and distribution expenses	**172**	165
	819	812

18. Other Intangible Assets

	Computer software *RMB'000*
Cost	
At 1 January 2018, 31 December 2018 and 1 January 2019	238
Additions	–
At 31 December 2019	238
Accumulated amortisation and impairment	
At 1 January 2018	–
Charge for the year	48
At 31 December 2018 and 1 January 2019	48
Charge for the year	48
At 31 December 2019	96
Carrying amounts	
At 31 December 2019	142
At 31 December 2018	190

19. Inventories

	2019 *RMB'000*	2018 *RMB'000*
Raw materials	12,501	9,911
Finished goods	17,084	21,095
	29,585	31,006

20. Contract Assets and Contract Liabilities

	2019 RMB'000	2018 RMB'000
Reported on the consolidated statement of financial position:		
Under current assets:		
Contract assets *(Note (a))*	**62,446**	90,557
Less: Allowance for expected credit losses *(Note (a)(vi))*	**(1,331)**	(1,294)
	61,115	89,263
Under current liabilities:		
Contract liabilities *(Note (b))*	**2,186**	3,537

(a) Contract assets

Contract assets, before deduction of allowance for expected credit losses, comprise the following components:

	2019 RMB'000	2018 RMB'000
Rights to consideration for obligations performed on contracts in progress	**44,218**	69,317
Retention monies receivable on completed contracts	**18,228**	21,240
	62,446	90,557

(i) As at 31 December 2019 and 2018, 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.

The balance of contract assets at 31 December 2019 decreased as result of more billings having been issued to the customers during the year ended 31 December 2019 when the Group's entitlements to settlement of the consideration for performed obligations became unconditional.

For the contract assets at 31 December 2019 and 2018, there was no material dispute received from any of the Group's customers.

20. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(ii) Movements of the contract assets, before allowance for expected credit losses, during the year ended 31 December 2019 are as follows:

	2019 RMB'000	2018 RMB'000
Beginning of the year	**90,557**	70,202
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) *(Note 6)*	**270,859**	248,785
– Value-added-tax on revenue recognised *(see Note below)*	**34,189**	33,556
	305,048	282,341
Transferred to trade receivables when rights to payments became unconditional	**(329,817)**	(256,316)
Transferred to and offset by contract liabilities	**(3,342)**	(5,670)
End of the year	**62,446**	90,557

Note:

During the year ended 31 December 2019, the considerations of those contracts entered into between the Group and the customers in the PRC were subject to value-added taxes ("VAT"), which are collected on behalf of the tax authorities and are excluded from the revenue recognised from performance obligations discharged by the Group, at the applicable rates as follow:

– 11% – 17% for the period prior to May 2018;

– 10% – 16% for the period from May 2018 to March 2019; and

– 9% – 13% for the period commencing from April 2019.

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

20. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**15,804**	17,525
1 to 3 months	**10,569**	11,668
3 to 6 months	**9,297**	10,242
6 to 9 months	**12,681**	15,391
9 to 12 months	**3,185**	1,978
1 – 2 years	**10,796**	32,107
Over 2 years	**114**	1,646
	62,446	90,557

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

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

The Group's actual historic bad debt rates of contract assets as at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, respectively.

Further disclosures on the recoverability assessment of contract assets are set out in Note 20(a)(vi) and Note 21(c) below.

20. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(iv) Retention monies receivable

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

At 31 December 2019, included in contract assets were retention monies receivable from the customers amounting to approximately RMB18,228,000 (2018: approximately RMB21,240,000). The terms and conditions for the release of retention monies held by the customers vary from contract to contract. The retention monies receivable from the customers generally represent 3% to 10% of consideration of the relevant contracts, that are retained by the customers as protection for defects of the transferred access flooring plates and the Group's entitlement to payment of retention monies receivable are conditional upon the customers' final physical inspection of the quality of the transferred access flooring plates at the expiry of the respective product assurance warranty period of the relevant contracts. In the opinion of the directors of the Company, the retention monies retained by the customers under the relevant contracts are not intended as a financing arrangement by the Group to the customers.

20. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**934**	1,815
1 to 3 months	**1,434**	1,035
3 to 6 months	**626**	801
6 to 9 months	**4,594**	3,557
9 to 12 months	**767**	1,437
1 – 2 years	**9,781**	12,595
Over 2 years	**92**	–
	18,228	21,240

There was no significant cost incurred in the past for those access flooring plates and/or installation services after sales during the product assurance type warranty period. At 31 December 2019 and 2018, management of the Group was not aware of any material disputes or events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates and/or installation services sold to the customers.

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

An analysis of due dates for settlement of the Group's retention monies receivable that are held by the customers during the product assurance warranty period, before allowance for expected credit losses, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**8,612**	13,905
Between 1 and 2 years	**9,616**	7,335
	18,228	21,240

20. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

(vi) Impairment assessment of the contract assets

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of the contracts. The Group's customers are mainly the large property developers and state-owned enterprises with high credit rating and their payment history with the Group are considered to be good. There was no material dispute or claim received from any of the customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the customers. The Group concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the rates for expected credit loss for contract assets. Since the contract assets are related to contracts which are still in progress and the payment is not due, the net carrying amount of contract assets (after deduction of allowance for expected credit losses) are still considered fully recoverable at 31 December 2019. The Group does not hold any collateral as security for the contract assets at 31 December 2019.

The historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, respectively. At 31 December 2019 and 2018, management of the Group estimated the expected credit losses on contract assets based on the trend of the historic bad debt rates of contract assets, taking into account of the history of billings to and settlements from the customers, other factors specific to the customers and forward looking information, such as the economic and market conditions which might have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts. The rate of 2.13% (2018: 1.43%) was applied by management of the Group for making provision for the exposures to expected credit losses on contract assets at 31 December 2019.

At 31 December 2019, allowance for expected credit losses on contract assets amounted to approximately RMB1,331,000 (2018: RMB1,294,000).

The movements in allowance for expected credit losses on contract assets during the year ended 31 December 2019 and 2018 are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
At 1 January	**1,294**	1,008
Charge for the year	**37**	286
At 31 December	**1,331**	1,294

20. Contract Assets and Contract Liabilities (Continued)

(b) Contract liabilities

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

The movements in contract liabilities are set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**3,537**	7,415
Advance considerations received from customers	**1,991**	1,792
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year	**(3,342)**	(5,670)
At the end of the year	**2,186**	3,537

(c) Information about unsatisfied performance obligations

The following table includes revenue expected to be recognised in the future related to the supply and installation of floor plates that are unsatisfied (or partially unsatisfied) as at 31 December 2019.

	2019 RMB'000	2018 RMB'000
Remaining performance obligations for the supply and/or installation of access flooring plates expected to be satisfied during the following periods:		
Expected to be recognised within one year	**88,564**	71,410
Expected to be recognised over one year	**3,438**	25,714
	92,002	97,124

(d) The revenue recognised in each of the years ended 31 December 2019 and 2018 did not include any amount, respectively, that was related to performance obligations satisfied in previous periods.

21. Trade and Bills Receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	**205,352**	132,146
Bills receivables	**3,458**	300
	208,810	132,446
Less: Allowance for expected credit losses *(Note (b) and (c))*	**(15,006)**	(9,265)
	193,804	123,181

21. Trade and Bills Receivables (Continued)

Note:

(a) An ageing analysis of the trade and bills receivables (net of allowance for expected credit losses) as at 31 December 2019, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	35,033	29,335
1 to 3 months	30,157	28,281
3 to 6 months	45,639	16,097
6 to 9 months	32,657	26,262
9 to 12 months	28,997	4,368
1 – 2 years	21,321	17,072
Over 2 years	–	1,766
	193,804	123,181

Analyses of the trade and bills receivables categorised by past due status, together with allowance for expected credit losses, at 31 December 2019 and 2018 are set out in Notes 21(b) and 21(c) below.

The Group grants a credit period ranging from 60 to 365 days to its customers. The Group does not hold any collaterals as security for the trade and bills receivables at 31 December 2019 and 2018. The trade and bills receivables are non-interest bearing, except for the outstanding factored receivables in respect of Customer A of approximately RMB45,393,000 (2018: RMB3,567,000) which were bearing interest at rates same as the prevailing market rates of the related borrowings, as discussed below.

The Group entered into an arrangement with an independent third party customer ("Customer A") which is a subsidiary of a blue chip property developer, which was established in the PRC with its shares listed in the Shenzhen Stock Exchange and is a constituent stock of both Shenzhen Stock Index and CSI 300 Index which is the benchmark of the China Stock Market Index. Customer A contributed to 5.20% and 13.56% of the Group's revenue for the years ended 31 December 2018 and 2019, respectively, and 9.73% and 22.19% of the Group's total of contract assets and trade receivables at 31 December 2018 and 2019, respectively. Customer A provided the Group with commercial bills or letters of credit issued by the banks of Customer A in accordance with the sales contracts made between the Group and Customer A, for the contract performance obligations discharged by the Group and the credit period of up to 365 days from the invoice date is allowed to Customer A. The Group factored these trade receivables in respect of Customer A, with recourse, to a factoring bank which is one of the principal banks of Customer A. Customer A agreed to reimburse the Group, at the expiry date of the factoring agreement, for the difference between the invoiced amounts of factored receivables and the cash proceeds received by the Group from the factoring bank, including all the interests incurred under the relevant factoring agreements entered into by the Group and the factoring bank. For the years ended 31 December 2018 and 2019, the Group earned interest from Customer A amounted to NIL and approximately RMB923,000, respectively. At 31 December 2018 and 2019, the outstanding factored receivables in respect of Customer A amounted to approximately RMB3,567,000 and RMB45,393,000 respectively. According to the terms of the relevant factoring agreements entered into by the Group and the factoring bank which is one of the principal banks of Customer A, the Group still retains all the risks and rewards associated with the ownership of factored trade receivables in respect of Customer A and accordingly, these factored trade receivables are not derecognised, in accordance with HKFRS 9, until the factoring bank will have successfully collected the proceeds of factored receivables from Customer A at the expiry of the factoring period which is one year from the factoring date. In substance, the factoring arrangement is a form of borrowings and the proceeds received from factoring receivables are recognised as secured bank borrowings (Note 28) which are secured by the pledge of the trade receivables in respect of Customer A, as further disclosed in Note 28(a) below.

The bases for the measurement of lifetime expected credit losses of trade and bills receivables are set out in Note 21(c) below.

21. Trade and Bills Receivables (Continued)

Note: (Continued)

(b) Impairment assessment of trade and bills receivables

Impairment losses in respect of contract assets, trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade and bills receivables. To measure the expected losses on trade and bills receivables, the Group categorised them based on their shared credit risk characteristics and ageing of current and past due days, evaluated their recoverability by reference to their payment history records with the Group using a provision matrix as adjusted for factors specific to the customers such as expected subsequent settlements from the customers and forward looking information, such as expected economic and market conditions after the reporting period end. The Group considered that there has not been a significant change in credit quality of the customers subsequent to the reporting period end.

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

At 31 December 2019, allowance for expected credit losses on trade and bills receivables amounted to approximately RMB15,006,000 (2018: RMB9,265,000) was made for the lifetime expected loss of the customers of the Group.

The movements in the allowance for expected credit losses on trade and bills receivables during the two years ended 31 December 2019 and 2018 are set out below:

	2019 ***RMB'000***	2018 *RMB'000*
At 1 January	**9,265**	6,829
Charge for the year	**5,741**	2,436
At 31 December	**15,006**	9,265

21. Trade and Bills Receivables (Continued)

Note: (Continued)

(c) In order to determine the expected credit losses ("ECL") for the portfolio of contract assets and trade and bills receivables at 31 December 2019 and 2018, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt rates, adjusted for factors specific to the customers such as subsequent settlements from the customers and forward looking economic and market conditions which might have impacts on the financial performance, position and cash flows of the Group's customers and, in consequence, the customers' abilities to settle their trade debts. At the reporting period end, the historical observed bad debt rates and the forward looking estimates are updated.

The matrix analysis of the Group's actual historic bad debt rates on the trade and bills receivables as at 31 December 2014, 2015, 2016 and 2017, and the expected rates for lifetime ECL on trade and bills receivables at 31 December 2019 and 2018 are as follows:

	Historical bad debt rates				Average historical bad debt rates		Estimated bad debt rates for lifetime ECL	
	at 31 December				at 31 December			
	2014	2015	2016	2017	2014 to 2016	2014 to 2017	at 31 December 2018	at 31 December 2019
Trade and bills receivables								
Not yet due or current	0.83%	1.12%	0.22%	1.20%	0.72%	0.84%	1.16%	1.04%
Past due:								
Within 1 month	0.00%	1.27%	3.83%	3.02%	1.70%	2.03%	3.16%	2.97%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	2.72%	3.07%	3.87%	3.41%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	2.92%	3.11%	5.54%	5.63%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	2.60%	3.96%	5.68%	7.40%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	2.94%	4.11%	10.69%	11.43%
1 – 2 years	25.62%	1.80%	4.79%	33.36%	10.74%	17.99%	40.29%	59.49%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.05%	28.03%	72.04%	100%
Credit impaired	N/A	100%	100%	100%	100%	100%	100%	100%
Trade receivables – Overall	3.60%	6.38%	9.32%	6.12%	6.43%	6.35%	7.00%	7.19%

The observed historic bad debt rates on the Group's contract assets at 31 December 2014, 2015, 2016 and 2017 were 0%, 0%, 0.18% and 1.43%, respectively. The Group applied the expected credit loss rate of 1.43% and 2.13% on the contract assets at 31 December 2018 and 2019, respectively, for measuring the exposures to expected credit losses on its contract assets at 31 December 2018 and 2019, taking into account of factors specific to the customers such as subsequent billings to and settlements from the customers and forward looking information such as the economic and market conditions which might have impacts on the financial performance, positions and cash flows of the Group's customers and, in consequence, the customers' abilities to pay for the considerations for obligations performed by the Group under the contracts.

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECL of the Group's trade and bills receivables and contract assets at 31 December 2019 and 2018 are reasonable and adequate.

21. Trade and Bills Receivables (Continued)

Note: (Continued)

(c) (Continued)

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade receivables as at 31 December 2019 and 2018:

	As at 31 December 2019				
	Average historic bad debt rate for 2014 to 2018	Expected rate for lifetime ECL	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(Note 20)*	0.59%	2.13%	62,446	1,331	61,115
Trade and bills receivables	6.49%	7.19%	208,810	15,006	193,804
			271,256	16,337	254,919
Collective assessment:					
Not yet due or current	0.78%	1.41%	186,355	2,625	183,730
Past due					
Within 1 month	2.26%	2.97%	2,321	69	2,252
1 to 3 months	3.23%	3.41%	26,967	920	26,047
3 to 6 months	3.57%	5.63%	20,425	1,150	19,275
6 to 9 months	4.29%	7.40%	13,212	978	12,234
9 to 12 months	5.42%	11.43%	9,110	1,041	8,069
1 to 2 years	21.17%	59.49%	8,176	4,864	3,312
Over 2 years	36.83%	100%	2,113	2,113	–
Specific assessment:					
Credit impaired	100%	100%	2,577	2,577	–
			271,256	16,337	254,919

21. Trade and Bills Receivables (Continued)

Note: (Continued)

(c) (Continued)

	As at 31 December 2018				
	Average historic bad debt rate for 2014 to 2017	Expected rate for lifetime ECL	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(Note 20)*	0.40%	1.43%	90,557	1,294	89,263
Trade and bills receivables	6.35%	7.00%	132,446	9,265	123,181
			223,003	10,559	212,444
Collective assessment:					
Not yet due or current	0.62%	1.31%	160,600	2,104	158,496
Past due					
Within 1 month	2.03%	3.16%	13,341	422	12,919
1 to 3 months	3.07%	3.87%	3,359	130	3,229
3 to 6 months	3.11%	5.54%	11,957	663	11,294
6 to 9 months	3.96%	5.68%	17,931	1,019	16,912
9 to 12 months	4.11%	10.69%	8,390	897	7,493
1 to 2 years	17.99%	40.29%	2,348	946	1,402
Over 2 years	28.03%	72.04%	2,500	1,801	699
Specific assessment:					
Credit impaired	100%	100%	2,577	2,577	–
			223,003	10,559	212,444

22. Deposits, Prepayments and Other Receivables

	2019 RMB'000	2018 RMB'000
Contract performance deposits *(Note (c) below)*	**971**	1,017
Tender deposits *(Note (d) below)*	**1,434**	2,065
Prepayments for purchases of raw materials	**2,385**	4,373
Deposits paid for the acquisition of plant and machinery	**110**	110
Deposits paid for electricity and nature gas	**765**	632
Prepayments	**1,059**	1,904
Prepaid listing expenses *(Note (b) below)*	**6,470**	2,808
Land use rights *(Note 16)*	**173**	173
Rental deposits	**166**	174
Others-individually insignificant	**1,667**	1,340
	15,200	14,596
Allowance for expected credit losses:		
– Contract performance deposits	**(213)**	–
– Deposits paid for acquisition of property, plant and equipment	**(110)**	–
	(323)	–
	14,877	14,596

Notes:

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

(b) The prepaid listing expenses of approximately RMB6,470,000 as at 31 December 2019 (2018: RMB2,808,000) were related to the proposed fundraising from the Company's new shares to be issued in an IPO and are to be charged to equity and deducted against the proceeds to be raised from the issue of new shares of the Company.

On 16 January 2020, as disclosed in Note 39(a) below, the Company issued 250,000,000 new shares of HK$0.01 each at HK$0.53 per offer price in the Global Offering and the Listing of the Company's shares was completed on 17 January 2020. The prepaid listing expenses capitalised at 31 December 2019 of RMB6,470,000 (2018: RMB2,808,000) were subsequently applied and deducted against the proceeds raised from the issue of these new shares of the Company.

(c) When a contract is awarded by a customer to the Group, the Group is required to pay a contract performance deposit of approximately 10% of the contract sum as security for the Group's performance in accordance the contract which is made between the Group and the customer. The contract performance deposits are refundable and will be refunded to the Group when the performance obligations promised in the contracts are completed by the Group. The contract performance deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement to the contract customers. At 31 December 2019, provision for impairment of approximately RMB213,000 (2018: NIL) was recognised for expected credit loss on these contract performance deposits.

(d) When the Group submits a bid in the tendering process, the Group is required to make a refundable tender deposit, which is specified on a tender by tender basis, to the prospective customer. The tender deposits will be refunded to the Group when the outcomes of the tenders are confirmed by the prospective customers. The tender deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing made by the Group to the prospective customers. As at 31 December 2019, all the tender deposits paid for tender bids can be fully recoverable and no provision for impairment was made during the year ended 31 December 2019 (2018: NIL).

23. Restricted Bank Deposits

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

24. Cash and Cash Equivalents

	2019 RMB'000	2018 RMB'000
Cash at banks	16,412	16,152
Cash in hand	2	3
	16,414	16,155
Denominated in:		
RMB	16,390	16,016
US$	24	139
Cash and cash equivalents	16,414	16,155

Bank balances carry interest rate at market rates which was 0.35% per annum as at 31 December 2019 (2018: 0.35% per annum).

25. Trade and Bills Payables

	2019 RMB'000	2018 RMB'000
Trade payables	37,579	47,908
Bills payables	–	–
	37,579	47,908

An ageing analysis of the trade payables as at 31 December 2019, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	35,467	13,714
1 to 3 months	1,518	20,619
3 to 6 months	410	10,416
Over 6 months	184	3,159
	37,579	47,908

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

26. Accruals and Other Payables

	2019 RMB'000	2018 RMB'000
Accounts payable for acquisition of property, plant and equipment	**381**	190
Accounts payable for acquisition of other intangible assets	**–**	9
Accrued installation costs	**8,481**	12,176
Interest payable	**1,332**	451
Education and construction levies	**1,374**	1,487
Provision for listing expenses	**8,775**	3,934
Salaries and bonuses payable	**807**	633
Value-added-tax payable	**6,714**	8,307
Other payables and accruals	**4,072**	3,268
	31,936	30,455

The carrying amounts of accruals and other payables at 31 December 2019 approximate their fair values. All of the accruals and other payables are non-interest bearing, expected to be settled within one year or repayable on demand.

27. Lease Liabilities

	2019 RMB'000	2018 RMB'000
Maturity analysis – contractual undiscounted cash flows:		
Less than 1 year	**927**	845
1 to 2 years	**770**	850
2 to 5 years	**1,381**	2,091
Total undiscounted lease liabilities	**3,078**	3,786
Analysed for reporting purpose as:		
Current liabilities	**827**	713
Non-current liabilities	**2,063**	2,818
	2,890	3,531

The effective interest rate profile of the lease liabilities are disclosed in Note 37(c)(i).

27. Lease Liabilities (Continued)

Amounts recognised in the consolidated statement of financial position

	RMB'000
At 1 January 2018	3,722
Addition	479
Interest charged to profit or loss	158
Payments during the year	(828)
At 31 December 2018 and 1 January 2019	**3,531**
Addition	**149**
Interest charged to profit or loss	**132**
Payments during the year	**(922)**
At 31 December 2019	**2,890**

Amounts recognised in the consolidated statement of profit or loss

	2019 ***RMB'000***	2018 *RMB'000*
Interest on lease liabilities	**132**	158
Expenses relating to short-term leases	**325**	200
	457	358

Amounts recognised in the consolidated statement of cash flows

	2019 ***RMB'000***	2018 *RMB'000*
Interest on leases	**132**	158
Repayment of lease liabilities	**790**	670
Total cash outflows for leases	**922**	828

28. Bank Borrowings

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

	2019 RMB'000	2018 RMB'000
Repayable within 1 year:		
Unsecured bank loans	49,500	43,500
Secured bank loans	63,868	2,884
Guaranteed bank loans	–	4,900
Secured and guaranteed bank loans	–	27,000
	113,368	78,284

At 31 December 2019, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 4.35% to 6.20% (2018: 4.35% to 6.20% per annum).

Included in the secured bank loans at 31 December 2019 were factoring loans of approximately RMB36,868,000 (2018: RMB2,884,000) arising from factoring trade and bills receivables under the factoring arrangement with Customer A as referred to in Note 21(a).

Notes:

(a) At 31 December 2019, bank borrowings totalling approximately RMB63,868,000 (2018: RMB29,884,000) were secured by the following land use rights, leasehold buildings and trade receivables of the Group:

	2019 RMB'000	2018 RMB'000
Land use rights	8,213	8,386
Leasehold buildings	8,659	9,313
Trade receivables	45,393	3,567
	62,265	21,266

(b) At 31 December 2018, certain bank borrowings of approximately RMB27,000,000 were jointly guaranteed by Mr. Shen, Mrs. Shen and Mr. Shen MH.

(c) At 31 December 2018, a bank borrowing of approximately RMB4,900,000 was secured by the personal insurance policy in favour of Mrs. Shen for an insured sum of approximately RMB5,900,000.

(d) At 31 December 2019, the Group had banking and other borrowings facilities totaling approximately RMB85,500,000 (2018: RMB94,500,000), which were utilised to the extent of approximately RMB76,500,000 (2018: RMB75,400,000) and the Group's available unused credit facilities amounted to approximately RMB9,000,000 (2018: RMB19,100,000).

29. Income Tax in the Consolidated Statements of Financial Position

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

	2019 RMB'000	2018 RMB'000
Current tax payable:		
At the beginning of the year	**4,860**	2,101
Provision for the year	**4,007**	6,788
Tax paid	**(7,050)**	(4,029)
Tax payable	**1,817**	4,860

(b) Deferred tax assets recognised:

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

	Provision for asset impairment RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2018	1,176	289	1,465
Credit to profit or loss	1,464	192	1,656
At 31 December 2018 and 1 January 2019	**2,640**	**481**	**3,121**
Charged to profit or loss	**(190)**	**(192)**	**(382)**
At 31 December 2019	**2,450**	**289**	**2,739**

(c) Deferred tax assets and liabilities not recognised:

At 31 December 2019 and 2018, potential deferred tax liabilities in respect of undistributed profits of PRC subsidiaries have not been provided as the Group can control the dividend policy of these subsidiaries in the PRC and these PRC subsidiaries of the Company have no plans to distribute profits that are subject to PRC dividend withholding tax in the foreseeable future.

As at 31 December 2019, the undistributed profits of JiaChen Floor, which is the key operating subsidiary of the Group in the PRC, were approximately RMB95,106,000 (2018: RMB77,278,000) for which the potential deferred tax liabilities, in respect of withholding tax on dividends to be distributed by JiaChen Floor, of approximately RMB4,755,000 (2018: RMB3,864,000) have not been recognised. No deferred tax liability has been recognised in respect of these temporary differences because the Group can control the dividend policy of JiaChen Floor and there is no plan of declaring dividends by JiaChen Floor and accordingly, the Group can control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Apart from the above, there were no other material unrecognised deferred tax assets and liabilities at 31 December 2019 and 2018.

30. Share Capital and Reserves

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

(a) Share Capital

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares *HK$'000*
Authorised capital:		
Upon incorporation on 7 July 2017, at 31 December 2017, 1 December 2018 and 31 December 2018	38,000,000	380
Increase in authorised capital on 19 December 2019	4,962,000,000	49,620
At 31 December 2019	5,000,000,000	50,000
Issued capital:		
Shares issued upon incorporation on 7 July 2017, shares in issue on 31 December 2017 and 1 January 2018	10,000	–*
Additional new share issued on 15 March 2018	1	–*
Additional new shares issued in the Second Equity Swap on 15 March 2018	129	–*
At 31 December 2018, 1 January 2019 and 31 December 2019	10,130	–*

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

The Company was incorporated in the Cayman Islands on 7 July 2017 as an exempted company with limited liability and with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Pursuant to a special resolution passed at the general meeting of the Company on 19 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000, by the creation of 4,962,000,000 new ordinary shares of HK$0.01 each of the Company. The owners of the shares of the Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Company allotted and issued 5,099 (including 1 subscriber ordinary share of HK$0.01), 3,125 and 1,776 new ordinary shares of HK$0.01 each of the Company, credited as fully paid, to Jiachen Investment, Xinchen Investment and Yilong Investment, which are beneficially owned by Mr. Shen, Mrs. Shen and Mr. Shen MH, respectively, upon its incorporation on 7 July 2017, and 1 additional new ordinary share of HK$0.01 each of the Company, credited as fully paid, to Jiachen Investment on 15 March 2018, in exchange of which, on 23 January 2018, the Company indirectly obtained a total of 97.74% equity interests in JiaChen Floor from Mr. Shen, Mrs. Shen and Mr. Shen MH, resulting from their capital contributions in form of all their then direct beneficial interests in, totaling, 98.73% of the registered capital of JiaChen Floor (as enlarged by a capital contribution by Victor Best Investment completed on 25 January 2018) to Changzhou Jintai, an indirect 99%-owned subsidiary of the Company, in the First Equity Swap as part of the Reorganisation.

30. Share Capital and Reserves (Continued)

(a) Share Capital (Continued)

Immediately prior to the First Equity Swap completed on 23 January 2018, Victor Best Investment, a direct wholly-owned subsidiary of Rui Xing Holdings, had paid up capital contribution of RMB1,735,000 to JiaChen Floor for 1.27% of its enlarged registered capital based on an agreement entered into between Mr. Shen, Mrs. Shen and Mr. Shen MH and Victor Best Investment on 18 December 2017. On 15 March 2018, the Company allotted and issued 129 new ordinary shares of HK$0.01 each of the Company, credited as fully paid, to Crystal Breeze Ventures in exchange for the entire issued capital of Rui Xing Holdings in the Second Equity Swap completed on 15 March 2018 as part of the Reorganisation.

At 31 December 2019 and 2018, the Company indirectly held a total of 99.01% equity interests in JiaChen Floor.

At 31 December 2019 and 2018, there were 10,130 ordinary shares of HK$0.01 each of the Company in issue, of which, 50.34%, 30.85%, 17.54% and 1.27% were held by Jiachen Investment, Xinchen investment, Yilong Investment and Crystal Breeze Ventures, respectively.

At 1 January 2018, the share capital of the Group in the amount of approximately RMB60,192,000, represented 99% of the registered capital of JiaChen Floor that were indirectly transferred to the Group by Mr. Shen, Mrs. Shen and Mr. Shen MH under the First Equity Swap completed on 23 January 2018 and as set out in the basis of presentation in Note 3(f), it has been presented as if 99% of registered capital of JiaChen Floor had been held by the Group prior to the beginning of the Reorganisation and at 1 January 2018.

At 31 December 2018, the share capital of the Group was RMB88 (equivalent to HK$101.30) which represented the nominal value of 10,130 ordinary shares of HK$0.01 of the Company issued under the First Equity Swap and Second Equity Swap as parts of the Reorganisation pursuant to which the Company has indirectly held, a total of 99.01% of registered capital of JiaChen Floor. The excess of 99.01% of registered capital of JiaChen Floor, that were indirectly transferred to the Company as to 97.74% under the First Equity Swap on 23 January 2018 and 1.27% under Second Equity Swap on 15 March 2018, over the nominal value of these 10,130 ordinary shares of HK$0.01 of the Company issued therefor, totaling approximately RMB61,927,000 was reclassified from the share capital of the Group to "Share Premium" during the year ended 31 December 2018, as referred to in Note 30(d)(i).

Subsequent to 31 December 2019 and on 16 January 2020, the Company issued 250,000,000 new shares of HK$0.01 each at HK$0.53 per offer share in the Global Offering, and 377,619,900, 231,371,875, 131,473,224 and 9,524,871 new shares of HK$0.01 each of the Company were issued to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen), Yilong Investment (wholly-owned by Mr. Shen MH) and Crystal Breeze Ventures (wholly-owned by Ms. Yan), respectively, by way of capitalisation of an aggregate amount of RMB6,642,000 (equivalent to HK$7,499,898.70) out of the share premium account of the Company, prior to the Listing of the Company's shares on the Main Board of the Stock Exchange which was completed on 17 January 2020, as further detailed in Notes 39(a) and (b) below.

30. Share Capital and Reserves (Continued)

(b) Capital reserve of the Group

The Group's capital reserve represents the gains arising from transfers of certain entities, which were not related to the listing business of the Group, to Mr. Shen as part of the Reorganisation as referred to in Note 2 above.

(c) Statutory reserve of the Group

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

(d) Statements of changes in equity of the Company

		Reserves					
	Share capital *RMB'000*	Share premium *RMB'000* *(Note (i))*	Capital reserve *RMB'000* *(Note (ii))*	Contributed surplus *RMB'000* *(Note (iii))*	Retained profits *RMB'000*	Subtotal *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	–	–	–	–	–
Effect of First Equity Swap on 23 January 2018	–	60,192	11,155	62,183	–	133,530	133,530
Issuance of 1 new ordinary share of HK$0.01 each of the Company on 15 March 2018	–	–	–	–	–	–	–
Issuance of 129 new ordinary shares of HK$0.01 each of the Company in the Second Equity Swap on 15 March 2018	–	1,735	–	–	–	1,735	1,735
Loss for the year	–	–	–	–	–	–	–
At 31 December 2018 and 1 January 2019	**–**	**61,927**	**11,155**	**62,183**	**–**	**135,265**	**135,265**
Loss for the year	–	–	–	–	(727)	(727)	(727)
At 31 December 2019	**–**	**61,927**	**11,155**	**62,183**	**(727)**	**134,538**	**134,538**

30. Share Capital and Reserves (Continued)

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

(i) Share premium of the Company

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

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

(ii) Capital reserve of the Company

At 31 December 2018 and 2019, the capital reserve of the Company represented the gain arising from the Reorganisation under which a total of 97.7427% equity interests of JiaChen Floor was indirectly transferred by Mr. Shen, Mrs. Shen and Mr. Shen MH to the Group under the First Equity Swap completed on 23 January 2018 as part of the reorganisation.

(iii) Contributed surplus of the Company

The contributed surplus represented the excess of the net assets of JiaChen Floor over the nominal value amounting to approximately RMB88 (equivalent to HK$101.30) in respect of a total of 10,130 ordinary new shares of HK$0.01 each of the Company allotted and issued by the Company to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen) and Yilong Investment (wholly-owned by Mr. Shen MH), in the First Equity Swap completed on 23 January 2018, and Crystal Breeze Ventures in the Second Equity Swap completed on 15 March 2018, in accordance with the Reorganisation, and share premium of approximately RMB61,927,000, as set out in Note 30(d)(i), in relation to Reorganisation involving a total of 99.01% of registered capital of JiaChen Floor, of which, 97.74% and 1.27% were indirectly transferred to the Company under the First Equity Swap and the Second Equity Swap, respectively.

30. Share Capital and Reserves (Continued)

(e) Distributable reserves

At 31 December 2019, the distributable reserves of the Group and the Company amounted to approximately RMB157,892,000 (2018: RMB140,773,000) and RMB134,538,000 (2018: RMB135,265,000), respectively.

During the two years ended 31 December 2019 and 2018, no dividend was declared and paid to the shareholders of the Company.

(f) Share option scheme

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

31. Non-Controlling Interests and Material Partially-Owned Subsidiaries

Upon completion of the First Equity Swap on 23 January 2018 as part of the Reorganisation, Mr. Shen, Mrs. Shen and Mr. Shen MH have continued to hold a total of 0.99% equity interests in JiaChen Floor through their direct holdings of a total of 1% of the registered capital of Changzhou Jintai to which a total of 98.73% equity interests in JiaChen Floor was transferred by Mr. Shen, Mrs. Shen and Mr. Shen MH on 23 January 2018. All of these 0.99% and 1% of equity interests in JiaChen Floor and Changzhou Jintai, which are held by Mr. Shen, Mrs. Shen and Mr. Shen MH but not held by the Company and the Group since the completion of the Reorganisation, have been presented as non-controlling interests at 1 January 2018 and 31 December 2018 and 2019.

During the two years ended 31 December 2019 and 2018, JiaChen Floor is key operating entity of the Group. Since the consolidated statements of profit or loss and other comprehensive income, consolidated statements of cash flows, consolidated statements of financial position of the Group for the two years ended 31 December 2019 and 2018 were mainly represented by that of JiaChen Floor, which is a material indirect and non-wholly owned subsidiary of the Company, the financial statements of JiaChen Floor for the two years ended 31 December 2019 and 2018 are not separately disclosed.

Changzhou Jintai has no other material transaction apart from those relating to the Reorganisation during the year ended 31 December 2018 and it has no material contribution to the operating results, cash flows, assets and liabilities of the Group for the two years ended 31 December 2019 and 2018.

32. Pledge of Assets

As at 31 December 2019, the following assets of the Group were pledged for the Group's bank and other borrowings:

	2019 RMB'000	2018 RMB'000
Land use rights	**8,213**	8,386
Leasehold buildings	**8,659**	9,313
Trade receivables	**45,393**	3,567
	62,265	21,266

33. Commitments

(a) Operating lease commitments

The Group as lessee

The Group leases certain of its staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one year to three years during the year ended 31 December 2019. Certain leases are cancellable with notice periods ranging from one to three months.

At 31 December 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**115**	185

The Group recognised lease liability for all leases with a term of more than twelve months. The resulting impact on the consolidated statement of profit or loss and the consolidated statement of cash flows are disclosed in Note 27.

(b) Capital commitments

The Company and the Group had no material capital commitments contracted but not provided for at 31 December 2019 and 2018.

34. Related Party Transactions

During the year ended 31 December 2019 and up to the date of this report, the directors are of the view that the following entities and persons are related parties to the Group:

(a) Relationship

Name of the related parties	Relationship with the Company
Jiachen Investment Limited ("Jiachen Investment")	Being wholly owned by Mr. Shen, has directly held 50.34% and 37.76% of the issued capital of the Company at 31 December 2019 and at the date of approval of the consolidated financial statements, respectively.
Xinchen Investment Limited ("Xinchen Investment")	Being wholly-owned by Mrs. Shen, has directly held 30.85% and 23.14% of the issued capital of the Company at 31 December 2019 and at the date of approval of the consolidated financial statements, respectively.
Yilong Investment Limited ("Yilong Investment")	Being wholly-owned by Mr. Shen MH, has directly held 17.54% and 13.15% of the issued capital of the Company at 31 December 2019 and at the date of approval of the consolidated financial statements, respectively.
Mr. Shen	Sole beneficial owner of Jiachen Investment and an executive director of the Company.
Mrs. Shen or Ms. Zhang	Sole beneficial owner of Xinchen Investment and an executive director of the Company.
Mr. Shen MH	Sole beneficial owner of Yilong Investment and an executive director of the Company.
Mr. Chen	General manager of JiaChen Floor throughout the two years ended 31 December 2019 and 2018, chief executive officer and executive director of the Company since 19 June 2019.
章玲燕 (Ms. Zhang Lingyan)	Supervisor and office administration manager of JiaChen Floor, a niece of Mrs. Shen and Mr. Shen and a cousin of Mr. Shen MH.
朱龍珍(Ms. Zhu Long Zhen)	Mother-in-law of Ms. Zhang Lingyan.
章亞琴 (Ms. Zhang Ya Qin)	Sister of Mrs. Shen.
趙林章 (Mr. Zhao Lin Zhang)	Spouse of Ms. Zhang Ya Qin.
趙浩煥 (Mr. Zhao Hao Huan)	Former Head of Purchase Department of JiaChen Floor up to 31 December 2017, son of Ms. Zhang Ya Qin and Mr. Zhao Lin Zhang and a nephew of Mrs. Shen and Mr. Shen.

34. Related Party Transactions (Continued)

(a) Relationship (Continued)

Name of the related parties	Relationship with the Company
常州市佳辰機房設備有限公司 (Changzhou Jiachen Machinery Plant Co., Ltd*) ("Jiachen Machinery Plant")	15.23% and 84.77% of its registered capital are owned by Mrs. Shen and Mr. Shen, respectively. On 26 December 2016, as part of the Reorganisation, 84.77% of its registered capital was transferred by JiaChen Floor to Mr. Shen.
江蘇佳申樂商貿有限公司(Jiangsu Jia Shen Le Trading Co., Ltd*) ("Jia Shen Le")	It is wholly-owned by Mr. Shen, who acquired 61% of its registered capital from JiaChen Floor on 26 December 2016, as part of the Reorganisation.

(b) Amounts due to shareholders and directors

	2019 RMB'000	2018 RMB'000
Non-trade in nature:		
Mr. Shen	–	3
Mr. Shen MH	–	849
	–	852

These amounts due were unsecured, interest free and repayable on demand.

During the year ended 31 December 2019, all the above current balances payable to Mr. Shen and Mr. Shen MH were settled by the Group.

The interests implicit on the advances from the above beneficial owners and directors of the Company are set out in Note 34(f).

34. Related Party Transactions (Continued)

(c) Loans from related parties

	2019 RMB'000	2018 RMB'000
Non-trade in nature:		
Mr. Zhao Lin Zhang *(Notes (i), (iii) and (iv))*	–	–
Ms. Zhang Ya Qin *(Notes (ii), (iii) and (iv))*	–	–
	–	–

Note:

(i) On 20 September 2017, the Group and Mr. Zhao Lin Zhang entered into a loan agreement, pursuant to which, the Group obtained a loan of approximately RMB3,270,000 from Mr. Zhao Lin Zhang to whom all the proceed of the loan to the Group was ultimately provided by Mrs. Shen. The loan payable to Mr. Zhao Lin Zhang was unsecured, interest-free and repayable on 19 September 2019.

(ii) On 9 October 2017, the Group and Ms. Zhang Ya Qin entered into a loan agreement, pursuant to which, the Group obtained a loan of approximately RMB3,500,000 from Ms. Zhang Ya Qin to whom all the proceed of the loan to the Group was ultimately provided by Mrs. Shen. The loan payable to Ms. Zhang Ya Qin was unsecured, interest-free and repayable on 8 October 2019.

(iii) The two loans from Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin, to whom all the proceeds of these two loans to the Group were ultimately provided by Mrs. Shen in 2017, were fully repaid by the Group in August 2018. There was no outstanding loan payable for Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin at 31 December 2019 and 2018.

Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin are the parents of Mr. Zhao Hao Huan, being the Head of Purchase Department of the Group for the period up to 31 December 2017 and a nephew of Mr. Shen and Mrs. Shen.

(iv) Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin are the relatives of Mrs. Shen and close family members of Ms. Zhang Lingyan and Mr. Zhao Hao Huan, respectively, being two of the key management personnel of the Group which is controlled by Mr. Shen, Mrs. Shen and Mr. Shen MH, when the above interest-free loans were made to the Group. Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin acted as nominees of Mrs. Shen for the purpose of providing the Group with the above interest-free loans, of which, all the loan proceeds were ultimately provided by Mrs. Shen at no interest.

The interests implicit on the above loans payable to Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin are set out in Note 34(f).

34. Related Party Transactions (Continued)

(d) Financial assistance rendered by the Controlling Shareholders for the Group's borrowings

(i) At 31 December 2018, Mr. Shen, Mrs. Shen and Mr. Shen MH provided personal guarantees to the extent of approximately RMB27,000,000 for bank borrowings of approximately RMB27,000,000 of the Group as referred to in Note 28(b).

During the year ended 31 December 2019, all these personal guarantees were released when the relevant bank borrowings of the Group were fully repaid.

(ii) At 31 December 2018, personal insurance policy of Mrs. Shen with an insured sum of approximately RMB5,900,000 was pledged to secure a bank borrowing of approximately RMB4,900,000. There was no such personal insurance policy of Mrs. Shen, Mr. Shen and Mr. Shen MH pledged for the Group's borrowings at 31 December 2019, as the relevant borrowings were fully repaid by the Group during the year ended 31 December 2019.

(iii) At 31 December 2018, in the opinion of the directors of the Company, the fair value of the financial assistance in forms of the personal guarantees, pledge of personal bank deposits and personal insurance policy, as disclosed above, as security for the Group's bank borrowings was insignificant as the probability of the Group's default in the repayment of the relevant bank borrowings was considered to be low.

(iv) At 31 December 2019, there was no financial assistance rendered by Mr. Shen, Mrs. Shen and Mr. Shen MH for the Group's borrowings.

34. Related Party Transactions (Continued)

(e) Key management personnel remuneration

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

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**735**	750
Pension scheme contributions	**140**	195
	875	945

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

(f) Interest on loans from related parties and amounts due to shareholders

For the purpose of this report, interests implicit on the amounts due to the shareholders and directors, a related party and loans from related parties, as disclosed in (b) and (c) above, respectively, are recognised and charged to the profit of loss for the two years ended 31 December 2019 and 2018 as follows:

Name of related party	2019 RMB'000	2018 RMB'000
Mr. Zhao Lin Zhang	–	104
Ms. Zhang Ya Qin	–	112
	–	216

For the year ended 31 December 2018, the above implicit interests, which were determined with reference to prevailing bank borrowing rates of 5.46% and 5.46% per annum, on the interest-free loans payable to Mr. Zhao Lin Zhang and Ms. Zhang Ya Qin who acted as nominees of Mrs. Shen for the purpose of providing the Group with these interest-free loans, as further disclosed in Note 34(c), of which, all the loan proceeds were ultimately provided by Mrs. Shen, were recognised as finance costs charged to the consolidated statements of profit or loss and credited as deemed contributions from the shareholders of the Company dealt with in the consolidated statements of changes in equity for the year ended 31 December 2018. No such implicit interest on loans from related parties was recognised for the year ended 31 December 2019 as all these loans were repaid during the last year ended 31 December 2018.

35. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of liabilities arising from financing activities

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

	Financing activities					
	Bank borrowings RMB'000 (Note 28)	Other borrowings RMB'000	Loans related parties RMB'000 (Note 34(c))	Amounts due to shareholders and directors RMB'000 (Note 34(b))	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2018	63,500	20,000	6,770	17	3,722	94,009
Changes from financing cash flows:						
Proceeds from new borrowings	87,284	–	–	–	–	87,284
Proceeds of advances from a shareholder and director	–	–	–	1,829	–	1,829
Repayment of borrowings	(72,500)	(20,000)	(6,770)	–	–	(99,270)
Payment of lease liabilities	–	–	–	–	(670)	(670)
Repayments of advance to shareholders	–	–	–	(994)	–	(994)
Interest paid	(3,972)	(693)	–	–	(158)	(4,823)
Total changes from financing cash flows	10,812	(20,693)	(6,770)	835	(828)	(16,644)
Other non-cash changes:						
Interest expenses	3,972	468	215	1	158	4,814
Deemed contributions *(Note 34(f))*	–	–	(215)	(1)	–	(216)
Addition of lease liabilities	–	–	–	–	479	479
Transfer of accrued interest	–	225	–	–	–	225
Total other non-cash changes	3,972	693	–	–	637	5,302
At 31 December 2018 and 1 January 2019	**78,284**	**–**	**–**	**852**	**3,531**	**82,667**
Changes from financing cash flows:						
Proceeds from new borrowings	**120,849**	**–**	**–**	**–**	**–**	**120,849**
Proceeds of advances from a shareholder and director	**–**	**–**	**–**	**21**	**–**	**21**
Repayment of borrowings	**(85,765)**	**–**	**–**	**–**	**–**	**(85,765)**
Payment of lease liabilities	**–**	**–**	**–**	**–**	**(790)**	**(790)**
Repayments of advance to shareholders	**–**	**–**	**–**	**(873)**	**–**	**(873)**
Interest paid	**(5,766)**	**–**	**–**	**–**	**(132)**	**(5,898)**
Total changes from financing cash flows	**29,318**	**–**	**–**	**(852)**	**(922)**	**27,544**
Other non-cash changes:						
Interest expenses	**6,647**	**–**	**–**	**–**	**132**	**6,779**
Addition of lease liabilities	**–**	**–**	**–**	**–**	**149**	**149**
Transfer of accrued interest	**(881)**	**–**	**–**	**–**	**–**	**(881)**
Total other non-cash changes	**5,766**	**–**	**–**	**–**	**281**	**6,047**
At 31 December 2019	**113,368**	**–**	**–**	**–**	**2,890**	**116,258**

35. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Major non-cash transactions

(i) During the two years ended 31 December 2019 and 2018, the Group entered into lease arrangements with a total present value of future lease payments at the inception of the leases of approximately RMB149,000 and RMB479,000, respectively, which were included in the right-of-use assets.

(ii) As disclosed in Note 34(f), during the two years ended 31 December 2019 and 2018, non-cash interest implicit on the current account balances of amounts due to the shareholders and directors of the Company and a related party and loans payable to related parties totaled NIL and approximately RMB216,000, respectively.

36. Financial Instruments by Category

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

	2019 **RMB'000**	2018 RMB'000
Financial assets at amortised costs:		
Trade and bills receivables	**193,804**	123,181
Deposits and other receivables	**4,790**	5,228
Restricted bank deposits and cash and cash equivalents	**19,884**	18,490
Total financial assets	**218,478**	146,899
Financial liabilities at amortised costs:		
Trade and bills payables	**37,579**	47,908
Amount due to shareholders	**–**	852
Accruals and other payables	**31,936**	30,455
Lease liabilities	**2,890**	3,531
Bank borrowings	**113,368**	78,284
Total financial liabilities	**185,773**	161,030

37. Financial Risk Management and Fair Values

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

(a) Credit risk

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

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

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

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

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

At 31 December 2019, 22% (2018: 9%) and 32% (2018: 25%) of the combined total of contract assets and trade and bills receivables were due from the Group's largest debtor and top five debtors, respectively.

37. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

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

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

	As at 31 December 2019					
	Repayable on demand or within 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and bills payables	**37,579**	**–**	**–**	**–**	**37,579**	**37,579**
Accruals and other payables	**31,936**	**–**	**–**	**–**	**31,936**	**31,936**
Lease liabilities	**927**	**770**	**1,381**	**–**	**3,078**	**2,890**
Bank borrowings	**116,865**	**–**	**–**	**–**	**116,865**	**113,368**
	187,307	**770**	**1,381**	**–**	**189,458**	**185,773**

	As at 31 December 2018					
	Repayable on demand or within 1 year *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Trade and bills payables	47,908	–	–	–	47,908	47,908
Accruals and other payables	30,455	–	–	–	30,455	30,455
Amounts due to shareholders and directors	852	–	–	–	852	852
Lease liabilities	845	850	2,091	–	3,786	3,531
Bank borrowings	81,452	–	–	–	81,452	78,284
	161,512	850	2,091	–	164,453	161,030

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

37. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

	As at 31 December			
	2019		2018	
	Effective interest rate	**Amount** *RMB'000*	Effective interest rate	Amount *RMB'000*
Fixed rate instruments:				
Lease liabilities *(Note 27)*	**4.90% – 6.20%**	**2,890**	4.90% – 5.44%	3,531
Bank borrowings *(Note 28)*	**4.35% – 6.20%**	**113,368**	4.35% – 6.20%	78,284
Less: Restricted bank deposits *(Note 23)*	**1.35% – 2.25%**	**(3,470)**	1.35% – 1.75%	(2,335)
Cash at banks *(Note 24)*	**0.30% – 0.35%**	**(16,412)**	0.30% – 0.35%	(16,152)
Total net interest-bearing borrowings		**96,376**		63,328

(ii) Sensitivity analysis

As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB820,000 for the year ended 31 December 2019 (2018: RMB522,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amounts of interest-bearing borrowings outstanding at the end of the reporting period being outstanding for the whole reporting period. The analysis is performed on the same basis for 2018.

37. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to US$ (expressed in Renminbi)	
	2019	2018
	RMB'000	*RMB'000*
Trade and other receivables	**6,633**	4,776
Cash and bank balances	**24**	139
	6,657	4,915

(ii) Sensitivity analysis

As at 31 December 2019, it is estimated that a general increase/decrease of 5% in foreign exchange rate, with all variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB283,000 for the year ended 31 December 2019 (2018: RMB246,000).

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period. The analysis has been performed on the same basis for 2018.

(e) Concentration risk

During the year ended 31 December 2019, the Group's largest customer, Customer A and top five customers had contributions to the Group's revenue as follows:

	Top Five Customers	**Largest Customer**	**Customer A**
	%	*%*	*%*
For the years ended 31 December:			
– 2019	25.21	13.56	13.56
– 2018	21.36	5.22	5.20

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

37. Financial Risk Management and Fair Values (Continued)

(f) Capital risk management

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

The capital structure of the Group consists of equity, amount due to a related party, amounts due to shareholders, lease liabilities, loans from related parties, bank borrowings and other borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including loans from related parties) less cash and cash equivalents and restricted bank deposits. The debt-to-equity ratio as at 31 December 2019 and 2018 were as follows:

	2019 **RMB'000**	2018 RMB'000
Amounts due to shareholders and directors	**–**	852
Lease liabilities	**2,890**	3,531
Bank borrowings	**113,368**	78,284
	116,258	82,667
Less: Cash and cash equivalents and restricted bank deposits	**(19,884)**	(18,490)
Net debt	**96,374**	64,177
Total equity	**169,705**	150,414
Debt-to-equity ratio	**56.79%**	42.67%

Neither the Company nor the Group is not subject to externally imposed capital requirements.

(g) Fair values measurement

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost approximate their respective fair values as at 31 December 2019 and 2018.

38. Company Level Statement of Financial Position

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Interests in subsidiaries		**135,265**	135,265
Current assets			
Amount due from subsidiaries		**18**	848
Amount due from shareholders		**–***	–*
Cash and cash equivalents		**159**	1
		177	849
Total assets		**135,442**	136,114
Current liabilities			
Accrual and other payables		**704**	–
Amount due to a subsidiary		**200**	–
Amount due to a shareholder and director		**–**	849*
		904	849
Net current liabilities		**(727)**	–
Net assets		**134,538**	135,265
Equity			
Issued capital	*30(a)*	**–***	–*
Reserve	*30(d)*	**134,538**	135,265
Total equity		**134,538**	135,265

* Figures rounded to less than RMB1,000.

39. Events After the Reporting Period

Saved as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 December 2019 and up to the date of approval of the consolidated financial statements.

(a) On 17 January 2020, the Company completed the Listing of its 1,000,000,000 shares of HK$0.01 each in issue including 250,000,000 new shares of HK$0.01 each issued by the Company in the Global Offering at HK$0.53 per offer share on 16 January 2020 and 749,989,870 new shares of HK$0.01 each issued to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen), Yilong Investment (wholly-owned by Mr. Shen MH) and Crystal Breeze Ventures (wholly-owned by Ms. Yan), as referred to in (b) below.

(b) On 16 January 2020, pursuant to the written resolution passed by the shareholders of the Company on 19 December 2019 and immediately prior to the Listing on 17 January 2020, the Company issued 377,619,900, 231,371,875, 131,473,224 and 9,524,871 new shares of HK$0.01 each of the Company to Jiachen Investment (wholly-owned by Mr. Shen), Xinchen Investment (wholly-owned by Mrs. Shen), Yilong Investment (wholly-owned by Mr. Shen MH) and Crystal Breeze Ventures (wholly-owned by Ms. Yan), respectively, by capitalisation of an aggregate amount of HK$7,499,898.70 (or RMB6,642,000) out of the share premium account of the Company.

(c) Subsequent to 31 December 2019, the Group obtained borrowings of approximately RMB479,000 from a bank, with the pledge of trade receivables of approximately RMB700,000, under the factoring arrangement with Customer A as detailed in Note 21(a), for financing its working capital.

(d) The COVID-19 outbreak since 31 December 2019 has brought about additional uncertainties to the Group's operating environment and may have impacts on the Group's operating and financial position which are still under assessment by the management of the Group. The Group has been closely monitoring the impact from the COVID-19 epidemic on the Group's businesses and has commenced to put in place various measures.

Up to the date of approval of the consolidated financial statements, some of the Group's customers, which are property developers in the PRC, have not yet resumed normal construction work on their development projects in the PRC for which the Group has been forced to temporarily hold up the delivery and/or installation of its access flooring products.

As of the date of approval of the consolidated financial statements, the directors of the Company consider that there is no material uncertainty as result of COVID-19 outbreak that casts a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

40. Possible Impact of Amendments and a New Standard Issued but Not Yet Effective for the Year Ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020

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

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

FINANCIAL SUMMARY

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
Revenue	**270,859**	248,785	216,360	159,603
Gross Profit	**68,317**	60,166	53,744	37,205
Profit before taxation	**23,680**	29,983	23,783	22,828
Income tax	**(4,389)**	(5,132)	(3,125)	(3,466)
Profit and total comprehensive income for the year	**19,291**	24,851	20,658	19,362
Attributable to:				
Owners of the Company	**19,100**	24,605	20,451	19,168
Non-controlling interests	**191**	246	207	194
	19,291	24,851	20,658	19,362
ASSETS AND LIABILITIES				
Total assets	**359,481**	319,841	289,437	226,471
Total liabilities	**(189,776)**	(169,427)	(165,825)	(124,725)
Non-controlling interests	**(1,680)**	(1,489)	(1,237)	(1,018)
Equity attributable to owners of the Company	**168,025**	148,925	122,375	100,728

Notes :

(i) The financial figures above for the year ended/as at 31 December 2019 were extracted from the consolidated financial statements in this annual report. The financial figures above for each of the three years ended 31 December 2018/as at the respective year-end were extracted from the Prospectus.

(ii) The summary above does not form part of the audited consolidated financial statements.