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

2024
ANNUAL REPORT

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Board of Directors

Executive Directors
Mr. Shen Min *(Chairman)*
Ms. Liu Hui *(Chief Executive Officer)*
Mr. Shen Minghui

Independent Non-executive Directors
Mr. Xie Xing
Mr. Wang Li
Ms. Long Mei

Audit Committee

Mr. Xie Xing *(Chairman)*
Mr. Wang Li
Ms. Long Mei

Remuneration Committee

Ms. Long Mei *(Chairlady)*
Mr. Wang Li
Ms. Liu Hui

Nomination Committee

Mr. Wang Li *(Chairman)*
Mr. Shen Min
Mr. Xie Xing

Authorised Representatives

Mr. Shen Minghui
Mr. Li Wen Tao

Company Secretary

Mr. Li Wen Tao

Company Website

www.jiachencn.com.cn

Stock Code

1937

Principal Bankers

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

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

Auditor

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

Registered Office in the Cayman Islands

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

No.18 Changhong East Road
Henglin Town
Wejin District
Chengzhou City
Jiangsu Province
China

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

22/F, 3 Lockhart Road
Wanchai
Hong Kong

Share Registrar and Transfer Office

Cayman Islands Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

On behalf of the board (the "**Board**") of directors (the "**Directors**") of JiaChen Holding Group Limited (the "**Company**"), it is my pleasure to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024 to the shareholders of the Company (the "**Shareholders**").

Listing

On 17 January 2020, the shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which marked a significant milestone for the development of the Group. Out of the net proceeds amounting to approximately HK$85.8 million raised from the issuance of 250,000,000 Shares to the public in Hong Kong, and under placing arrangement with selected professional, institutional and other investors (the "**Global Offering**"), approximately HK$83.5 million has been utilised up to 31 December 2024 in accordance with the business strategies and implementation plan (the "**Strategies and Implementation Plan**") as stated in the prospectus of the Company dated 31 December 2019 (the "**Prospectus**"). The remaining balance of the net proceeds as at 31 December 2024 amounting to approximately HK$2.3 million is expected to be utilised in accordance with the Strategies and Implementation Plan by the end of December 2025.

Results

For the year ended 31 December 2024, the Group recorded a total sales revenue of approximately RMB257.8 million representing an increase of approximately 9.6% compared to that of approximately RMB235.2 million for the year ended 31 December 2023. This growth can be attributed to the gradual recovery in the commercial building construction industry and the commencement of several data centre projects during the year ended 31 December 2024. The Group maintained its competitive product pricing strategy benefited from the favourable material costs, which contributed to the increase in total revenue for the year ended 31 December 2024. In addition, the Group launched a new product – aluminum alloy access flooring plates during the year ended 31 December 2024, sales revenue of which amounted to approximately RMB2.9 million, also accounted for the uplift of the Group's total revenue for the year ended 31 December 2024. Aluminum alloy access flooring plates were introduced to the market in response to the growing demand in the high-tech industries in the People's Republic of China (the "**PRC**") and are designed for controlled environments like telecommunications facilities and clean rooms. This flooring product offers superior benefits including corrosion resistance, excellent anti-static properties, fire resistance, and dimensional stability when exposed to moisture. Manufactured through precise casting and mechanical processing, it ensures high dimensional accuracy and exceptional load-bearing capacity, surpassing traditional steel or calcium sulfate options. While the initial cost is higher due to premium materials, the long-term value is significant, with high recyclability and refurbishment potential. This flooring product is particularly suited for clean rooms with heavy machinery in advanced industries.

The aforesaid increase in sales revenue brought beneficial effect to Group as the gross profit increased from approximately RMB44.7 million for the year ended 31 December 2023 to approximately RMB63.0 million for the year ended 31 December 2024. The net profit attributable to the owners of the Company increased by approximately 101.7% from approximately RMB5.9 million for the year ended 31 December 2023 to approximately RMB11.9 million despite an increase in selling expenses by approximately 29.4% and administrative expenses by approximately 18.5% over those of the year ended 31 December 2023. In addition, an impairment of contract assets and trade and bills receivables in the amount of approximately RMB11.2 million provided for the year ended 31 December 2024 compared to that of approximately RMB7.6 million for the year ended 31 December 2023 also exerted an adverse impact on the net profit attributable to the owners of the Company for the year ended 31 December 2024.

Review and Prospect

During the year ended 31 December 2024, the PRC's economy demonstrated notable resilience which achieved a GDP growth rate of 5.0% and aligned with the government's target as reported by the National Bureau of Statistics. This expected growth was supported by strong industrial production, targeted stimulus measures and robust export performance, which underscored the economy's ability to withstand global uncertainties.

The construction sector revealed a dual narrative. Residential construction faced significant headwinds, with new housing plummeting by 23.0% year-on-year and property prices for new buildings dropping by 3.4%. Government interventions, including reduced mortgage rates, sought to stabilize the market, yet recovery varied widely by regions. Conversely, commercial construction, particularly in office spaces, experienced a modest rebound driven by demand from the technology and professional services sectors. The industrial and logistics segments, which was bolstered by the ongoing rise of e-commerce, also flourished and signaled a pivot in market dynamics.

Valued at USD90 billion in 2024, PRC's flooring materials market thrived amid urbanization and infrastructure growth. While trends favoured sustainability and smart flooring solutions gained momentum, expansion was constrained by fierce competition, escalating raw material costs and the residential construction slump. Globally, the flooring materials market reached USD416.6 billion in 2024, with PRC as a pivotal contributor, and is forecasted to grow at a 7.2% CAGR through 2030, propelled by innovation and diverse demand.

Despite the above challenges, the Board maintains an optimistic outlook for the access flooring products industry and the Group's future. The Group is committed to adapting swiftly to market shifts while prioritizing long-term growth. It will channel resources into enhancing product recognition through technological advancements and production line upgrades, ensuring cost efficiency and laying the groundwork for sustained success.

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 2024. I would also like to thank all Shareholders for their long-term support.

Shen Min
Chairman

24 March 2025

General Overview

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

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

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

The Group is committed to exhibiting a high level of consciousness on product design, function and quality and accordingly, it has established a research and development team, the members of which have obtained relevant qualification as assistant engineer (助理工程師). With its strong research and development capability, the Group has made the following achievements: (i) better recombination ability of the coating resin in graphene; and (ii) better performance of the graphene coating powder in terms of coating flexibility, resistance and other technical areas. For the year ended 31 December 2024, the Group spent approximately RMB11.4 million in research and development as compared to that of approximately RMB10.6 million for the year ended 31 December 2023.

The Group's presence in the access flooring manufacturing industry is established in the PRC. The Group was 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 was also awarded the 常州市知名商標證書 (Well-known Trademark of Changzhou City*) by the 常州市知名商標認定委員會 (Recognition Committee of Well-known Trademark of Changzhou City*) in 2011, 江蘇名牌產品證書 (Jiangsu Famous Brand Certificate*) by the 江蘇省名牌戰略推進委員會 (Jiangsu Promotion Commission for Famous Brand Strategy*) in 2017, 企業信用等級證書AAA綜合信譽信用等級 (the accreditation of AAA Credit Enterprise*) by 聯合信用管理有限公司江蘇分公司 (Jiangsu Branch of Lianhe Credit Information Service Co., Ltd.*) for the period from 2016 to 2018, 江蘇省質量信用等級 (the accreditation of AA

Quality Credit Rating*) by the 江蘇省市場監督管理局 (Market Supervision Bureau of Jiangsu Province*) in 2019, 常州市高新技術產品認定證書 (Changzhou High-tech Product Certification*) by the 常州市科學技術局 (Science and Technology Bureau of Changzhou City*) in 2020. Moreover, the Group was awarded three 實用新型專利證書 (Patent Registration Certificate of New Utility*) and 發明專利證書 (Patent Registration Certificate*) respectively for our technologies and products by 中國知識產權局 (China National Intellectual Property Administration*) in 2021. In 2022, 高新技術企業 (High-tech Enterprise*) issued by 江蘇省科學技術廳，江蘇省財政廳及國家稅務總局江蘇省稅務局 (Department of Science and Technology of Jiangsu Province*, Department of Finance of Jiangsu Province*, and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation*), 江蘇省專精特新中小企業 (Jiangsu Province Specialized and New Small and Medium-sized Enterprise*) issued by 江蘇省工業和信息化廳 (Department of Industry and Information Technology of Jiangsu Province*), 品牌質量獎 (Brand Quality Award*) issued by 中共常州市武進區橫林鎮委員會及常州市武進區橫林鎮人民政府 (Henglin Town Committee of Wujin District of Changzhou City, and the People's Government of Henglin Town, Wujin District of Changzhou City*), 勞動保障誠信企業 (Labor Security Integrity Enterprise*) issued by 常州市人力資源和社會保障局 (Changzhou Municipal Bureau of Human Resources and Social Security*), 常州市創建和諧勞動關係先進企業 (Advanced Enterprise for Creating Harmonious Labor Relations in Changzhou City*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City*), CSA8000 常州市企業社會責任標準達標企業 (CSA8000 Changzhou Corporate Social Responsibility Standard Conformity Enterprise*) issued by 常州市協調勞動關係三方委員會 (Tripartite Committee for Coordinating Labour Relations in Changzhou City*) and 中國防靜電裝備品牌企業榮譽證書 (China Anti-static Equipment Brand Enterprise Honor Certificate*) issued by 中國電子儀器行業協會防靜電裝備分會 (Anti-static Equipment Branch of the China Electronic Instrument Industry Association*) were awarded to the Group. In 2024, the Group has been awarded with the following:

- 質量管理體系認證證書 (Certificate of Approval*) issued by 盛唐認證南京有限責任公司 (Shentang Certification Nanjing Co., Ltd.*);

- 環境管理體系認證證書 (Certificate of Environment Management System*) issued by 盛唐認證南京有限責任公司 (Shentang Certification Nanjing Co., Ltd.*);

- 職業健康安全管理體系認證證書 (Certificate of Occupational Health and Safety Management System*) issued by 盛唐認證南京有限責任公司 (Shentang Certification Nanjing Co., Ltd.*);

- 2024年度發展貢獻獎 (2024 Development Contribution Award*) issued by 中共常州市武進區橫林鎮委員會及常州市武進區橫林鎮人民政府 (Henglin Town Committee of Wujin District of Changzhou City* and the People's Government of Henglin Town, Wujin District of Changzhou City*);

- 2024年度納稅大戶銅獎 (Bronze Award for Large Tax payer in 2024) issued by 中共江蘇常州經濟開發區工作委員會及江蘇常州經濟開發區管理委員會 (CPC Jiangsu Changzhou Economic Development Zone Working Committee* and Jiangsu Changzhou Economic Development Zone Management Committee*);

- 會員證書及團體會員證書 (Certificate of Membership and Certificate of Corporate Membership) issued by 中國電子儀器行業協會防靜電裝備分會 (Anti-static Equipment Branch of the China Electronic Instrument Industry Association*);

- 守合同重信用企業公示證書 (The Publicity Certificate of Trustworthy Enterprise) issued by 江蘇省企業信用管理協會 (Jiangsu Enterprise credit Management Association*);

- 常州市企業技術中心 (Changzhou Enterprise Technology Center*) issued by 常州市工業和信息化局 (Changzhou Bureau of Industry and Information Technology*); and

- 知識產權合規管理體系認證證書 (Intellectual Property Compliance Management System Certification) issued by 中規（北京）認證有限公司 (Zhonggui (Beijing) Certification Co., Ltd.*).

* *For identification purposes only*

Business Objectives and Implementation Plan

An analysis comparing the business strategies set out in the Prospectus with the Group's actual implementation progress up to 31 December 2024 is as follows:

Business Strategies	Planned use of net proceeds (HK$'million)	%	Actual use of net proceeds up to 31 December 2023 (HK$'million)	Amount utilised during the year ended 31 December 2024 (HK$'million)	Unutilised amount as at 31 December 2024 (HK$'million)	Expected timeframe for the utilisation of the remaining balance
1. Enhancement of the production capacity and efficiency						
– acquisition of a parcel of land in Changzhou City	20.9	24.4	20.9	–	–	N/A
– construction of infrastructure including two new factory buildings for production and storage	21.9	25.5	21.9	–	–	N/A
– installation of five additional production lines	26.9	31.4	26.9	–	–	N/A
– installation of environmental friendly and energy-saving facilities and equipment	2.2	2.6	2.2	–	–	N/A
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.9	5.1	–	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.8	5.0	–	–	N/A
4. Enhancement and optimization of the information technology system	2.3	2.7	–	–	2.3	Enhancement and optimization of the information technology system aims at satisfying the requirements under the expansion of production capacity resulting from the utilisation of the factory buildings. The unutilised amount as at 31 December 2024 is anticipated to be utilised by the end of December 2025.
5. Working capital and general corporate purposes	1.5	1.7	1.5	–	–	N/A
Total	**85.8**	**100.0**	**83.5**	**–**	**2.3**	

Sales Analysis

The Group recorded a consolidated revenue of approximately RMB257.8 million for the year ended 31 December 2024, representing an increase of approximately RMB22.5 million or 9.6% as compared to that of approximately RMB235.2 million for the year ended 31 December 2023. The increase in consolidated revenue was primarily attributable to the uplift of revenue generated from the sales of calcium-sulfate access flooring products.

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

	For the year ended 31 December			
	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**177,315**	**68.8**	174,353	74.1
Calcium-sulfate access flooring products	**80,473**	**31.2**	60,895	25.9
Total	**257,788**	**100.0**	235,248	100.0

For the year ended 31 December 2024, sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 68.8% of the total revenue. Revenue derived from sales of steel access flooring products increased slightly by approximately 1.7% from approximately RMB 174.4 million for the year ended 31 December 2023 to approximately RMB177.3 million for the year ended 31 December 2024. This was mainly attributable to the launch of a new item, aluminum alloy access flooring plates, sales revenue of which amounted to approximately RMB2.9 million during the year ended 31 December 2024.

Revenue derived from sales of calcium-sulfate access flooring products increased significantly by 32.2% from approximately RMB60.9 million for the year ended 31 December 2023 to approximately RMB80.5 million for the year ended 31 December 2024. This was attributable to the completion of fine-tuning of the production lines following the relocation of production lines to the new factory plant in 2023, which led to the enhancement in production capacity and efficiency. The Group was therefore able to take more sales orders for calcium-sulfate access flooring products.

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

	For the year ended 31 December			
	2024		2023	
	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	**1.34**	**132.3**	1.34	130.1
Calcium-sulfate access flooring products	**0.52**	**154.8**	0.38	160.3
Total	**1.86**		1.72	

The sales volume for steel access flooring products remained stable amid the gradual recovery in the commercial building construction industry. Notably, the sales volume for calcium-sulfate access flooring products increased by approximately 36.8% due to the enhancement in production capacity and efficiency following the relocation of production lines to the new factory plant in 2023.

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

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

	For the year ended 31 December			
	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
PRC	**225,574**	**87.5**	198,519	84.4
Hong Kong, China	**–**	**–**	1,219	0.5
Other countries and regions	**32,214**	**12.5**	35,510	15.1
Total	**257,788**	**100.0**	235,248	100.0

For both of the years ended 31 December 2024 and 2023, the Group's products were mainly sold in the PRC and to a lesser extent exported to other countries and regions such as Singapore, The United Arab Emirates, Taiwan and Thailand.

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

	For the year ended 31 December			
	2024		2023	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Steel access flooring products	**45,224**	**25.5**	35,723	20.5
Calcium-sulfate access flooring products	**17,762**	**22.1**	9,017	14.8
Total	**62,986**	**24.4**	44,740	19.0

The gross profit from steel access flooring products accounted for the majority of the gross profit of the Group for both of the years ended 31 December 2024 and 2023. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. Gross profit margin of steel access flooring products for the year ended 31 December 2024 compared to that of the year ended 31 December 2023 increased by approximately 5.0 percentage points to 25.5%, while gross profit margin of calcium-sulfate access flooring products for the year ended 31 December 2024 compared to that of the year ended 31 December 2023 increased by approximately 7.3 percentage points to 22.1%. The substantial improvement in gross profit margins for both product categories was primarily attributable to the enhancement of production efficiency following the relocation of production lines to the new factory plant in 2023, as well as the decrease in costs of raw materials for the products sold during the year ended 31 December 2024.

Operating Costs and Expenses

Selling expenses increased by approximately RMB2.8 million, representing a 29.4% increase to approximately RMB12.2 million for the year ended 31 December 2024 from approximately RMB9.5 million for the year ended 31 December 2023. The increase was primarily attributed to the rise in consultation fees for external professionals engaged for business development initiatives aimed at securing more commercial opportunities for the Group.

The net impairment of contract assets and trade and bills receivables increased by approximately 48.2% to approximately RMB11.2 million for the year ended 31 December 2024 from approximately RMB7.6 million for the year ended 31 December 2023. Further details of the recoverability assessment on contract assets and trade and bills receivables are set out below.

Administrative expenses increased by approximately RMB2.4 million, representing a 18.5% increase to approximately RMB15.1 million for the year ended 31 December 2024 from approximately RMB12.8 million for the year ended 31 December 2023. The increase was primarily driven by the increase in salaries and wages.

Finance costs decreased by approximately RMB235,000 to approximately RMB3.2 million for the year ended 31 December 2024 from approximately RMB3.4 million for the year ended 31 December 2023. The decrease was mainly due to the reduction in the average interest rates during the year ended 31 December 2024.

Operating Results

Profit before taxation increased significantly from approximately RMB6.4 million for the year ended 31 December 2023 to approximately RMB14.3 million for the year ended 31 December 2024, representing an increase of approximately 122.5%. The substantial improvement was primarily attributable to the increase in the sales revenue and the gross profit margin, which outweighed the increases in selling expenses, administrative expenses and the net impairment of contract assets and trade and bills receivables as mentioned above.

Recoverability Assessment of Contract Assets and Trade and Bills Receivables

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

Statistical regression model has been adopted to project the estimated lifetime ECL rates on each ageing band of contract assets and trade and bills receivables as at 31 December 2024 and 2023, based on co-efficient relationship of the actual bad debt rates on each ageing bands of trade and bills receivables and contract assets at each reporting period ended on 31 December 2014 to 2024 (2023: 2014 to 2023) and the respective annual PRC GDP growth rates following each of these reporting period ends.

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

Management of the Group has been closely monitoring the status of accounts owing by its customers during and after the years ended 31 December 2024 and 2023. Close contact with customers has been maintained to ensure there is no major issue arising from the payment process. Consideration would be given to the issuance of pre-action letters and the institution of legal proceedings against the relevant customers to recover outstanding amounts as well as penalty, liquidated damages and other expenses as permitted under the laws of the PRC, and consideration would also be given to the negotiations of new repayment schedules to recover the outstanding debts if necessary.

Set out below is the analysis of the calculation of the ECL rates on contract assets and trade and bills receivables at 31 December 2024, using the co-efficient factors between the bad debt loss rates and the annual PRC GDP growth rates which were derived from the statistical regression model, and adjusted after considering the additional individual assessment of the status of subsequent settlements received from the customers and the financial difficulties of the defaulted customers:

	Coefficient of determination (R squared), the proportion of the variance in the ECL rate that is predictable from the following year's PRC GDP growth rate *	Intercept for the linear between the following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** A %	Coefficient factor between the following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** B	Estimated ECL rate at 31 December 2024, based on the regression model C=A+B*2025 GDP growth rate (=5%) *** C %	Applied ECL rate at 31 December 2024 after considering individual assessment of customers %
Contract assets	0.32	4.19	-0.4239	2.07	6.16*****
Trade and bills receivables					
Not yet due or current	0.75	6.85	-0.7705	3.00	3.00
Past due:					
Within 1 month	0.47	13.86	-1.4439	6.64	6.64
1–3 months	0.50	23.08	-2.7253	9.45	9.45
3–6 months	0.18	11.34	-0.9577	6.56	15.48****
6–9 months	0.04	10.77	-0.2559	9.49	16.07****
9–12 months	0.24	26.19	-2.3607	14.39	24.21****
1–2 years	0.21	43.26	-3.2598	26.97	50.23****
Over 2 years	0.35	64.34	-4.7228	40.72	86.17****
Overall – Trade and bills receivables	0.38	19.56	-1.6491	11.31	20.04

Notes:

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

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

*** *The initial official target GDP growth rate for 2025 is 5% as announced by the PRC government. The expected GDP growth rate for 2025 is considered to be reasonable by reference to the estimation of the credit analysts.*

**** *ECL rate for each of the above ageing bands of trade and bills receivables of past due within 3–6 months, 6–9 months, 9–12 months, 1–2 years and past due over 2 years are adjusted after considering the status of subsequent settlements received after 31 December 2024 and additional individual assessment on the payment history and patterns of the customers falling into each of these respective ageing bands of trade and bills receivables and financial difficulties of the defaulted customers.*

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

An analysis of ECL against contract assets and trade and bills receivables at 31 December 2024 is set out below:

	At 31 December 2024				
	Gross amount RMB'000	ECL provision RMB'000	Net carrying amount RMB'000	Subsequent settlements up to 10 March 2025 RMB'000	ECL rate on gross amount %
Contract assets	54,582	3,361	51,221	7,985	6.16
Trade and bills receivables					
Not yet due or current	115,170	3,457	111,713	60,535	3.00
Past due:					
Within 1 month	6,199	412	5,787	2,060	6.64
1–3 months	9,880	934	8,946	5,067	9.45
3–6 months	21,778	3,371	18,407	2,768	15.48
6–9 months	31,280	5,025	26,255	15,848	16.07
9–12 months	23,416	5,669	17,747	6,791	24.21
1–2 years	19,065	9,577	9,488	2,085	50.23
Over 2 years	25,711	22,154	3,557	1,245	86.17
Subtotal – Trade and bills receivables	252,499	50,599	201,900	96,399	20.04
Total	307,081	53,960	253,121	104,384	17.57

The matrix analysis of the Group's actual historic bad debt rates on the contract assets and trade and bills receivables at each of the reporting period ends of 2014 to 2023 (as updated for subsequent changes in estimates) and the expected rates for lifetime ECLs on contracts assets and trade and bills receivables at 31 December 2024 are as follows:

	Historical bad debt rates									Average historical bad debt rates	Estimated bad debt rates for lifetime ECL	
	at 31 December									at 31 December	at 31 December	
	2014	2015	2016	2017	2018	2019	2020*	2021*	2022*	2014 to 2022	2023*	2024
Contract assets	0.00%	0.00%	0.18%	1.43%	1.65%	2.13%	2.36%	4.24%	3.47%	1.72%	5.71%	6.16%
Trade and bills receivables												
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	4.17%	1.34%	5.25%	3.87%	2.31%	3.55%	3.00%
Past due:												
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	6.21%	12.96%	10.21%	5.75%	3.93%	6.64%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	5.73%	6.34%	3.93%	6.71%	13.97%	9.45%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	6.71%	3.18%	4.53%	5.07%	12.80%	15.48%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	15.05%	6.15%	24.64%	8.75%	14.30%	16.07%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	15.90%	22.61%	17.06%	10.63%	30.73%	24.21%
1–2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	23.23%	40.15%	29.89%	22.33%	44.54%	50.23%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	35.93%	35.14%	42.66%	34.96%	57.70%	86.17%
Overall – Trade and bills receivables	3.60%	6.38%	9.32%	6.12%	7.32%	10.69%	12.73%	11.82%	13.84%	9.09%	17.56%	20.04%

* *ECL rates for 2020 to 2023 were updated for subsequent changes in estimates.*

A higher estimated lifetime ECL rate on contract assets at 31 December 2024 at 6.16% (2023: 5.71%) was applied, after taking into account of several customers individually identified with significant financial difficulties at 31 December 2024.

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECLs of the Group's contract assets and trade and bill receivables at 31 December 2024 and 2023 are reasonable and adequate.

Capital Structure

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

Liquidity and Financial Resources

As at 31 December 2024, the Group held total assets of approximately RMB492.3 million (31 December 2023: approximately RMB483.1 million), including cash and cash equivalents of approximately RMB46.9 million (31 December 2023: approximately RMB41.9 million). The Group's cash and cash equivalents were mainly denominated in RMB (31 December 2023: RMB).

As at 31 December 2024, the Group had total liabilities of approximately RMB167.3 million (31 December 2023: approximately RMB170.1 million) which mainly comprised of bank borrowings amounting to RMB91.0 million (31 December 2023: approximately RMB91.0 million). The Group's bank borrowings were denominated in RMB and bore interest at the rates ranging from 2.80% to 3.45% (31 December 2023: 3.00% to 3.65%).

As at 31 December 2024, the debt-to-equity ratio, expressed as a percentage of total loans and borrowings and lease liabilities net of cash and cash equivalents and restricted bank deposits over total equity, was about 11.7% (31 December 2023: 14.3%). This decrease was mainly resulted from the growth in a stronger equity base during the year ended 31 December 2024.

As at 31 December 2024, the Group had available and unused bank facilities of approximately RMB28.0 million (31 December 2023: approximately RMB81.1 million).

The gearing ratio, which is calculated by total borrowings and lease liabilities divided by total equity, was approximately 28.0% and 29.1% as at 31 December 2024 and 31 December 2023 respectively.

Contingent Liabilities

As at 31 December 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

Capital Commitments

As at 31 December 2024, the Group had capital commitments amounting to approximately RMB19.3 million in respect of property, plant and equipment which was contracted but not provided for (31 December 2023: approximately RMB3.1 million).

Exposure to Fluctuation in Exchange Rate

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

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the year ended 31 December 2024. 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 2024, the Group had the following charges on its assets:

(a) Bank borrowings amounting to approximately RMB42.0 million (31 December 2023: approximately RMB22.0 million) were secured by the following assets:

   (i) land use rights with a carrying value of approximately RMB7.3 million as at 31 December 2024 (31 December 2023: approximately RMB7.5 million);

   (ii) leasehold buildings with a carrying value of approximately RMB5.4 million as at 31 December 2024 (31 December 2023: approximately RMB6.0 million).

(b) Restricted bank deposit of approximately RMB6.0 million (31 December 2023: approximately RMB4.6 million) was pledged as security for issuing commercial bills to suppliers.

Employees and Remuneration Policies

As at 31 December 2024, the Group had 212 employees (31 December 2023: 198). The total staff costs including directors' remuneration for the year were approximately RMB19.5 million (2023: approximately RMB17.2 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 appraisal system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

Significant Investment, Acquisition and Disposal

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2024.

The Group did not have other plans for significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group as at 31 December 2024.

Capital Expenditure

For the year ended 31 December 2024, the Group spent approximately RMB11.3 million (2023: approximately RMB26.6 million) on capital expenditure, which was primarily related to the construction in progress and acquisition of plant and machinery.

Cash Flows

The Group reported net cash inflow from operating activities of approximately RMB24.1 million for the year ended 31 December 2024 as compared to that of approximately RMB3.0 million for the year ended 31 December 2023. The increment in net cash inflow from operating activities was primarily resulted from the net cash inflow of approximately RMB34.8 million generated from operating profit during the year ended 31 December 2024 as compared to that of approximately RMB21.5 million during the year ended 31 December 2023.

Net cash used in investing activities amounted approximately RMB16.2 million for the year ended 31 December 2024 as compared to that of approximately RMB16.1 million for the year ended 31 December 2023. The increment in net cash used in investing activities was mainly attributable to the payment of approximately RMB1.0 million for the acquisition of land use rights made in the year ended 31 December 2023.

Net cash used in financing activities amounted to approximately RMB2.9 million for the year ended 31 December 2024 as compared to the net cash generated from financing activities of approximately RMB7.7 million for the year ended 31 December 2023. The swing from net cash inflow to outflow from financing activities was mainly attributable to the substantial reduction in net proceeds from bank borrowings in the amount of RMB11.0 million during the year ended 31 December 2024.

Event After the Reporting Period

There was no significant event subsequent to 31 December 2024 and up to the date of this annual report.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

Executive Directors

Mr. Shen Min (沈敏) ("Mr. Shen"), whose former name was Shen Xiaodu (沈筱度), aged 66, is the founder of the Group, the chairman of the Board and an executive Director. He joined the Group since April 1991. He is a director of a number of subsidiaries of the Group. Mr. Shen was appointed as a Director on 7 July 2017 and was re-designated as an executive Director and the chairman of the Board on 19 June 2019. He is also a member of the nomination committee. He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of the 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 30 years of experience in the access flooring manufacturing industry.

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

Mr. Shen is the spouse of Ms. Zhang Yaying, the father of Mr. Shen Minghui, the father-in-law of Ms. Liu Hui.

Mr. Shen Minghui (沈明暉) ("Mr. Shen MH"), aged 40, is an executive Director. Mr. Shen MH joined the Group since May 2003. He was appointed as a Director on 7 July 2017 and was redesignated as an executive Director on 19 June 2019. He is responsible for overseeing the general matters of the Group. He has been the deputy general manager of JiaChen Floor since September 2009. He is the supervisor of 常州市金台商務信息諮詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) and 常州市金港商務信息諮詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*), indirect wholly-owned subsidiaries of the Group and a director of a number of subsidiaries of Group. Mr. Shen MH was a deputy general manager of Jiachen Machinery Plant from May 2003 to August 2009 and was responsible for supervising the manufacturing and production of the products. Mr. Shen MH attended 西南大學 (Xinan University*) to study marketing from March 2013 to July 2015 and obtained a graduation diploma in July 2015.

Mr. Shen MH is the spouse of Ms. Liu Hui, the son of Mr. Shen and Ms. Zhang Yaying.

Ms. Liu Hui (劉會) ("Ms. Liu"), aged 40, joined the Group as a procurement manager of JiaChen Floor from September 2009 to February 2020. She was appointed as the deputy general manager of JiaChen Floor in March 2020 and promoted as an executive Director with effect from 2 July 2020. She was further appointed as the chief executive officer of the Group on 25 October 2023. Ms. Liu is responsible for overseeing the management, procurement and oversea sales of the Group. She studied e-commerce in 常州市職工大學 (Changzhou Occupational University*) from September 2002 to July 2005 and obtained a graduation diploma in July 2005.

Ms. Liu is the spouse of Mr. Shen MH, the daughter-in-law of Mr. Shen and Ms. Zhang Yaying.

* *For identification purposes only*

Independent Non-executive Directors

Mr. Xie Xing (謝星) ("Mr. Xie"), aged 44, joined the Board as an independent non-executive Director in September 2021. He is the chairman of the audit committee and a member of the nomination committee. He has over 15 years of experience in accounting, corporate finance, compliance and auditing. He started his career at KPMG in 2006 and then worked for various companies in different industries in Hong Kong. Mr. Xie was the chief financial officer and company secretary of Hanvey Group Holdings Limited (stock code: 8219), a company listed on GEM of the Stock Exchange from July 2018 to August 2022. He was also appointed as the responsible officer of Zeta Capital (H.K.) Limited on 9 March 2023.

Mr. Xie obtained a Bachelor of Science degree with honour in Applied Physics from the Hong Kong Baptist University in 2003, a Master degree of Philosophy in Physics from The Hong Kong University of Science and Technology in 2005 and a Master degree of Economics from The University of Hong Kong in 2019. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Mr. Wang Li (王立) ("Mr. Wang"), aged 38, joined the Board as an independent non-executive Director in November 2021. He is the chairman of the nomination committee, a member of the audit committee and the remuneration committee. He is a practising lawyer in the PRC since 2012. He worked in 北京市惠誠（常州）律師事務所 (Beijing Huicheng Law Firm*) from 2009 to 2015. He became a partner of 江蘇品川律師事務所 (Pinchuan Law Firm*) since 2015. He also obtained the qualification to act as independent non-executive director accredited by Shanghai Stock Exchange since 2016.

Mr. Wang obtained a Bachelor of Law degree from Soochow University in 2009. He is a member of 中華全國律師協會 (All China Lawyers Association) since 2012.

Ms. Long Mei (龍梅) ("Ms. Long"), aged 52, joined the Board as an independent non-executive Director in November 2021. She is the chairman of the remuneration committee and a member of the audit committee. She is a non-practising certified public accountant in the PRC. She is a member of 中國註冊會計師協會 (The Chinese Institute of Certified Public Accountants) since 1995. On 18 November 2024, Ms. Long was appointed as an independent non-executive director of Yunhong Guixin Group Holdings Limited (stock code: 8349), a company listed on GEM of the Stock Exchange.

Ms. Long obtained a Bachelor of Finance and Accounting degree from 華南農業大學 (South China Agricultural University*) in 2009 and the medium-grade professional title of accountant in 1993. She worked for a large accountancy firm with qualifications in securities and has over 30 years of experience in accounting, corporate finance, compliance and auditing.

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

* *For identification purposes only*

Senior Management

Mr. Li Wen Tao (李文韜) ("Mr. Li"), aged 42 joined the Group in June 2019 as the company secretary. Mr. Li is an associate of Institute of the Chartered Accountants in England and Wales since February 2013 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since May 2011. He was further admitted as a fellow of the Hong Kong Institute of Certified Public Accountants and Institute of the Chartered Accountants in England and Wales in July 2018 and November 2024, respectively.

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 20 years. Mr. Li was the chief financial officer of Modern Chinese Medicine Group Co., Ltd., a company listed on Main Board of the Stock Exchange (stock code: 1643) from January 2020 to April 2023.

Ms. Zhang Yaying (章亞英) ("Ms. Zhang"), aged 61, has been the deputy general manager of Jiachen Floor since September 2009 and is responsible for overseeing the raw material purchasing. She was also the deputy general manager of Jiachen Machinery Plant since September 1991 and was responsible for raw material purchasing until December 2016. Ms. Zhang was appointed as a Director on 7 July 2017 and was re-designated as an executive Director on 19 June 2019. She subsequently resigned as an executive Director with effect from 2 July 2020 due to her desire to focus on the daily operations of the Group.

Ms. Zhang brings to the Group more than 30 years of experience in the access flooring manufacturing industry. Ms. Zhang studied business administration in 中國管理軟件學院 (China Management Software Institute*) from September 2008 to July 2012 and obtained a graduation diploma in July 2012.

Ms. Zhang is the spouse of Mr. Shen, the mother of Mr. Shen MH, the mother-in-law of Ms. Liu.

About this Report

JiaChen Holding Group Limited (the "**Company**", together with its subsidiaries (the "**Group**" or "**We**"), hereby presents this Environment, Social and Governance ("**ESG**") Report (the "**Report**") for the year ended 31 December 2024.

Reporting standard

This report complies with the disclosure requirements set out in the Environmental, Social and Governance Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An assessment has been conducted on the applicability and significance of the Key Performance Indicators ("**KPIs**") in the Environmental, Social and Governance Reporting Guide.

Reporting Principles

The Group has applied the principles of "Materiality", "Quantitative", "Balance" and "Consistency" in accordance with the ESG Reporting Guide in the preparation of this Report. Details of application of these reporting principals are illustrated below:

- Materiality: Important and relevant information to stakeholders on different ESG aspects is covered in the Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information is disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

Governance Structure

The Board of Directors bears full responsibility for the Group's ESG strategy and reporting. The Board is responsible for assessing and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management has been entrusted with the responsibility of coordinating the implementation of the Group's environmental, employment, and service quality assurance policies.

The Board of Directors leads and guides the management by formulating the ESG policies and measures, overseeing their implementation, and monitoring ESG performance. The Board continuously explores opportunities to further enhance the Group's ESG governance. The Board regularly reviews ESG matters, including environmental protection, employment and labor practices, operational practices, and community investment, and implements appropriate measures to strengthen the Group's ESG performance.

Stakeholders' Feedback

We value our stakeholders and their feedback on our business as well as our ESG aspects. In order to enhance the Group's sustainable development approach and performance, we are committed to maintaining close communication with stakeholders, including but not limited to government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public. We take into account the expectations of stakeholders when formulating our business and ESG strategies, and we utilize diverse engagement methods and communication channels, as described below:

Stakeholders	Expectation and Concerns	Communication Channels
Government/Regulatory Authorisation	• Compliance with local laws and regulation • Fulfilment of tax obligations	• Announcement and other regulatory reports
Shareholders/investors	• Return on investments • Corporate governance • Sustainable development • Compliance with laws and regulations	• Information disclosed on the HKEX website and corporate website • Annual general meeting and other shareholders' meetings
Employees	• Employees' compensation and benefits • Career development • Occupational safety and health	• Employee performance evaluation • On-the-job training • Internal e-mail • Regular meetings
Suppliers	• Fulfilment of promises • Credit worthiness	• Supplier selection assessment • Suppliers' performance assessment • Supplier meetings • Site visits
Customers	• High-quality products and services • Protection of customer rights and personal data	• Corporate website • Emails and phone communications
Community/Public	• Compliance with laws and regulations • Involvement in communities • Environmental protection awareness	• Industry events • Corporate social responsibility activities

Materiality Assessment

Materiality assessment was conducted in accordance with the expectation and feedback from the key stakeholders. We use the following process to identify, prioritise and manage material ESG-related issues:

Step 1: Identify the ESG-related issues

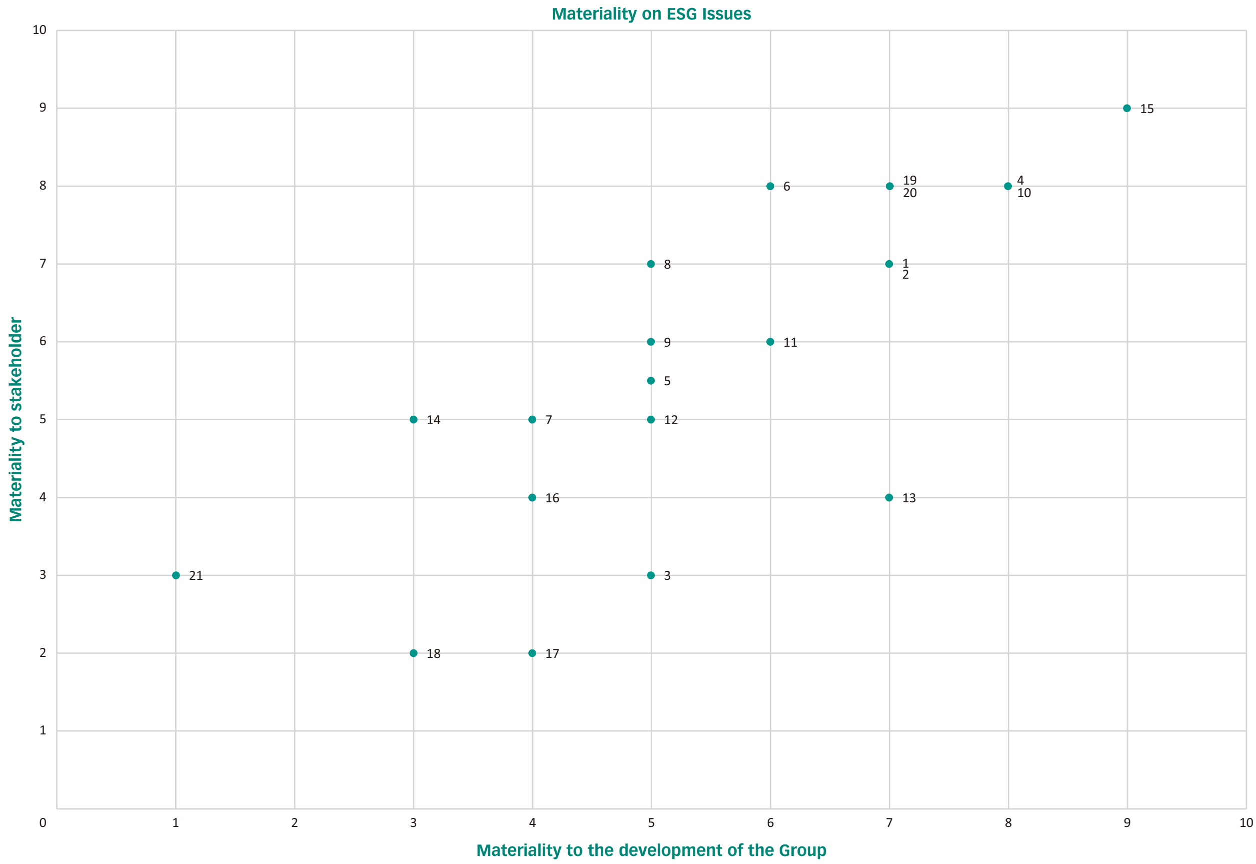
Taking into account the requirements of the "Environmental, Social and Governance Reporting Guidelines" and the latest sustainability trends in the industry to identify relevant material issues. 21 environmental, social and governance issues were identified in relation to the most important aspects of the Group's business and stakeholders.

Step 2: Materiality issues assessment

In order to determine the materiality of environmental, social and governance issues, the views of the Group's senior management and key stakeholders have been solicited. Based on their views, the relevance/materiality of each environmental, social and governance issue is assessed and scored on a scale of 0 to 10 (0 is irrelevant, 10 is critical). ◦

Step 3: Prioritise the ESG-related issues

Based on the materiality assessment results, the Group prioritized issues from two aspects, namely "materiality to stakeholders" and "materiality to the development of the Group", and compiled the following materiality matrix. Environmental, social and governance issues in the upper right quadrant are the most important.



Aspects	Major concerns
Environment	1. Air emission 2. Greenhouse gas emission 3. Wastes production 4. Natural resources consumption 5. Use of packaging materials 6. Impact to the environment 7. Climate change
Employment	8. Labour practices 9. Employee remuneration and benefits 10. Occupational safety and health 11. Employee development and training
Supply Chain Management	12. Green procurement 13. Engagement with suppliers 14. Environmental and social risk management of supply chain
Product Responsibility	15. Product/service quality and safety 16. Customer privacy and data security 17. Marketing and promotion 18. Intellectual property rights
Anti-corruption	19. Business ethics & anti-corruption 20. Internal grievance mechanism
Community	21. Participation in philanthropy

Environmental

Environmental targets

The Group is committed to transforming into a low-carbon economy and conserving resources in its business activities, including the use of energy, water and paper. We aim to reduce the use of resources and the consequential carbon footprint through the adoption of various green initiatives.

Environmental Protection Policies

Protecting the environment is one of the Group's key concerns. The Group is committed to meeting the requirements as stipulated in the applicable national/local environmental laws and regulations. Since the Group has taken into consideration of environmental sustainability in its business operations, the management of the Group will monitor its environmental performance regularly. The policies and measures for energy and waste management have been established and dedicated by the Group to achieve the emission targets as mentioned above.

Emissions

Gas emissions and greenhouse gas ("GHG") emissions

This Group is mainly engaged in the manufacturing and sales of overhead access floor products and the provision of related installation services. During the manufacturing process, the Group will consume electricity for manufacturing purposes and to power its equipment and machinery. When the Group consumes electricity, it will indirectly generate carbon dioxide or greenhouse gases.

The main sources of the Group's greenhouse gas emissions are direct emissions from mobile combustion sources ("**Scope 1**") and indirect emissions from purchased electricity ("**Scope 2**").

Air emissions	Unit	2024	2023
Nitrogen oxides	kg	**5.4**	6.2
Sulphur oxides	kg	**1.1**	0.1
Respiratory suspended particles	kg	**0.4**	0.5

Greenhouse gas emissions	Unit	2024	2023
Scope 1 – petrol consumption	Tonne	**897**	2,140
Scope 2 – electricity consumption	Tonne	**1,632**	2,772
Total emissions	Tonne	**2,529**	4,912
Emission intensity	Tons of carbon dioxide emissions Square meters per plant area	**0.12**	0.12

The Group has implemented the following policies to mitigate the adverse impacts of carbon dioxide emissions:

- Conduct maintenance inspections of the waste gas management system and the sewage management system every week;
- Turn off air conditioners, office equipment and lighting when not in use;
- Maintain the indoor temperature of the office at 26°C;
- Carry out repairs as soon as possible when water leaks are found in faucets or water pipes; and
- Use double-sided printing and reuse the paper printed on one side.

Hazardous and non-hazardous waste

The Group has conducted an environmental impact assessment of its production facilities. The results show that the emissions of air pollutants, greenhouse gases, water, sewage, and non-hazardous waste are in compliance with Chinese regulations. The Group operates an emissions permit management system, and the data is as follows:

	Unit	2024	2023
non-hazardous waste	Tonne	**757**	703
non-hazardous waste intensity	Tonne per million dollars of revenue	**2.9**	3.0
hazardous waste	Tonne	**14**	15
hazardous waste intensity	Tonne per million dollars of revenue	**0.05**	0.06

Compliance with laws and regulations

The Group keeps abreast of the latest local environmental regulations and standards. During the year ended 31 December 2024 the Group was not aware of any violations of relevant environmental laws and regulations, including but not limited to the following:

- Environmental Protection Law;
- Water Pollution Prevention and Control Law;
- Law for the Prevention and Control of Environmental Pollution by Solid Waste;
- Air Pollution Prevention and Control Law; and
- Environmental Noise Pollution Prevention and Control Law.

Use of resources

Energy and water consumption

The resources used by the Group include water, electricity and raw materials. The main components of the materials used are water and electricity. The management has established the following policies for the efficient use of resources in the production process to reduce waste:

- Provide training and seminars on water conservation and energy conservation for all employees.
- Provide training and seminars on water conservation and energy conservation for all employees.
- Implement flexible production schedules to determine the number of operating machines based on product quantities.

- Utilize energy-efficient LED lamps to maintain efficiency.
- Supervise non-production plants to ensure that lights, fans and air conditioners are turned off when not in use.
- Report and explain any additional water consumption.
- Check water pipes regularly.

The consumption data for the year ended 31 December 2024 are as follows:

		Consumption		Intensity (per million dollars of revenue)	
Resources utilisation	**Unit**	**2024**	**2023**	**2024**	**2023**
Electricity	MWh	**5,323**	4,544	**21**	19
Unleaded petrol	L	**8,870**	9,235	**34**	39
Natural gas	m^3	**1,021,771**	937,406	**3,945**	3,989
Water	m^3	**18,108**	32,058	**70**	136

Packaging materials

The packaging materials used by the Group are mainly plastic packaging films and cardboard boxes, and the size is determined according to the requirements of different customers. Although the Group's products use packaging materials, the Group makes every effort to reduce resource waste.

		Consumption		Intensity (per million dollars of revenue)	
Packaging materials	**Unit**	**2024**	**2023**	**2024**	**2023**
Paper materials and cardboard boxes	kg	**75,728**	83,935	**292**	357
Wood	m^3	**922**	959	**4**	4
Plastic materials	Tonne	**19**	56	**0.1**	0.2

Environmental and natural resources

To reduce environmental impact and use of natural resources, the management of the Group regularly evaluates policies, including energy saving measures, to create sustainable environmental value. The Group pursues best environmental practices. In addition to complying with relevant environmental laws and regulations and appropriate international natural environment protection standards, the Group integrates environmental protection and natural resource conservation concepts into its internal management and daily operations to achieve environmental sustainability.

Climate Change

We are currently making every effort to enhance the Group's ability to manage climate change risks, fully recognize the various opportunities and challenges posed by climate change, and develop effective response measures.

Governance

The Board of Directors enhances the contribution to addressing climate change-related issues by making final decisions on strategies and policies to mitigate climate change-related risks through regular meetings. The Sustainability Committee is composed of high-level individuals from various business units, together with the Office of Sustainability, and is mandated to assess significant environmental, social and governance risks, with a particular focus on climate risks. This collaborative team is also responsible for setting goals and plans for climate action and assessing progress towards these goals, as directed by the Board.

The Board also seeks the professional advice of external experts when necessary to provide better support for relevant decisions.

Risk Management

We incorporate climate-related risks into our regular risk management processes, with the Sustainability Committee working with the risk management team to identify the possible impact of climate-related issues on our operations.

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

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

Types of climate change risks	Influencing factors	Business may be affected	Periods	Strategies
Physical risk	Heat wave	Due to the prolonged hot weather and the consequent heavy use of ventilation, cooling, and air-conditioning equipment in the Group's production and operations, electricity consumption has increased significantly and is expected to maintain an upward trend, resulting in continued increases in operating costs.	Long term	We carefully monitor the energy consumption of air conditioning and other refrigeration systems, procure equipment with the highest energy efficiency standards, and actively promote the principles of green office.
Transition risk	Increase the price of greenhouse gas emissions	The Group is not one of the first controlled industries to be included in the Chinese carbon market, but it is considered that the scope of the carbon market may be further expanded in the medium and long term. If the Group emits greenhouse gases exceeding the limit, it will have to pay additional operating costs	Long term	We have started to set our Group's greenhouse gas emission management targets in response to China's "3060 target" requirements in the long term.
	Stakeholder Concerns	More and more investors are adopting environmental, social and governance investment principles such as responsible investment principles, and are highly concerned about corporate climate change actions. If the Group fails to actively carry out the decarbonization transition, investors may underestimate the value of the enterprise	Medium and long term	We have been vigorously promoting energy-saving transformation and strictly controlling the group's energy consumption and greenhouse gas emissions. We have started to formulate greenhouse gas emission reduction strategies and targets, and will implement a series of decarbonization actions.

Social

Employment

The employment contract stipulates the terms of compensation, dismissal, working hours, rest periods and other benefits for employees. The employee handbook also specifies important information on compensation policies, employee benefits, termination rights, business conduct and leave benefits policies.

We organize social activities such as annual dinners, team building and other activities to enhance the work-life balance and strengthen the relationship between employees. The Group also provides accommodation and meals for employees.

Anti-discrimination and equal opportunities

The Group is firmly committed to eliminating discrimination and providing equal opportunities to all, regardless of age, gender, race, disability or marital status, in order to enhance employee satisfaction. It seeks to diversify its workforce in terms of gender and age in order to create a balanced professional environment. In addition, the Group actively encourages diversity in its workforce and warmly welcomes people from all backgrounds, thus effectively putting the principle of fairness into practice.

For the year ended 31 December 2024, the Group had 212 employees with an employee turnover rate of approximately 9.9%.

	No. of staff	Employee turnover rate
Gender		
Male	147	12.2%
Female	65	4.6%
Age Group		
18–30	34	0.0%
31–40	48	10.4%
41–50	55	18.2%
51 or above	75	8.0%
Employment type		
Full-time	212	9.9%
Part-time	0	0.0%
Geographical region		
China	212	9.9%
Hong Kong	0	0.0%

The Group will continue to explore ways to reduce employee turnover rate, improve employee benefits and strengthen communication with employees. In addition, the Group welcomes people of any age who are keen to learn and actively participate.

Health and Safety

The Group proactively works to reduce injury and occupational health risks by establishing relevant management systems and organizing security training for its employees.

The Group aims to ensure a safe occupational environment and manage health and safety risks in production facilities. The Group prominently displays warning signs, handling procedures, and preventive measures for potential health impacts. Necessary personal protective equipment, such as safety gloves, masks, and goggles, is provided during work. The Group regularly assesses safety measures. For the year ended 31 December 2024, there is no violation of health and safety regulations.

Protecting the occupational health and safety of employees is of utmost importance to the Group. In terms of occupational safety and health, the Group complies with the Labor Law of the People's Republic of China, the Work-Related Injury Insurance Regulations, and other applicable regulations to ensure a healthy and comfortable working environment.

Occupational health and safety statistics	2024	2023	2022
Number of lost days due to work injury	0	18	0
Number of work-related fatal accidents	0	0	0

Development and Training

Training employees is a fundamental factor for business growth, and all employees have received comprehensive job training. The Group encourages continuous development of its staff and enhances their skills through training programs. We offer a variety of internal and external training opportunities, including orientation training for new employees and on-the-job training, to enable them to effectively integrate into the Group's operations and enhance the skills and knowledge required for their roles. In-service training is provided for workers, while specific management training is tailored for supervisors and senior management. Additionally, we conduct employee performance evaluations in conjunction with supervisors during regular annual assessments.

	Percentage of Employees Receiving Training	Average Training Hours
Gender		
Male	44%	11
Female	53%	12
Job position		
Senior management	50%	16
Middle Management	33%	15
General staff and labour	47%	11

Labour Standards

The Group is committed to upholding the labour rights of its employees and has established a complaint mechanism for employees to report any violations of labour laws. Management believes that the Group has complied with relevant labour standards for the year ended 31 December 2024. It is the Group's policy to prohibit the employment of individuals under the legal working age of 18. For the year ended 31 December 2024, there is no record of any labour disputes between the Company and its employees.

The Group has a policy to disqualify any individuals from employment if they are found to have violated the provisions of the Labour Contract Law. The Group strictly adheres to laws and regulations prohibiting child labour and forced labour, which primarily include the following:

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

Responsible Operation

Supply Chain Management

Relying on strict supply chain management, the Group ensures high product quality and maintains our competitiveness in the market. We are also committed to ensuring that our suppliers provide adequate after-sales service, which is one of the prerequisites for our business relationships. The Group conducts annual assessments of our suppliers to ensure the maintenance of quality and to guarantee that the prices of goods and services provided remain competitive. Furthermore, we require our suppliers to comply with relevant laws when supplying goods and services to the Group. Suppliers who do not meet our standards are subject to re-evaluation before any further business transactions can be conducted.

To enhance the sustainability of our supply chain and reduce carbon emissions, our Group sources raw materials locally. For the year ended 31 December 2024, we have 74 suppliers, with approximately 86.5% located in Jiangsu Province and the remaining 13.5% in neighbouring provinces and cities. This approach does not only support local businesses but also helps us minimize transportation-related carbon footprints, contributing to our commitment to environmental responsibility.

Product Responsibility

The Group adopts policies including replacing defective products, inspecting materials before production, and immediately returning any defective materials to suppliers to ensure customer satisfaction and product quality.

Quality management and customer satisfaction

Production sampling inspection is carried out according to the national standard (GB/T2829) for sampling procedures. When the quality inspection results are not satisfactory, investigation and analysis are carried out. Before shipment, we will conduct a final quality inspection. We also provide customers with one to two years of quality assurance.

To ensure service quality, the Group has established a quality control department to meet customer requirements. The quality control department implements systems to prevent the provision of unauthorized services, supervision of installation services, and claims against installation service providers.

During the warranty period, we will arrange follow-up or repair services within 1 business day after receiving customer feedback or inquiries. To maintain and improve our customer services, we maintain a register of after-sales services.

During the year ended 31 December 2024, no product was returned due to safety or quality issues, and no customer complaint was received.

Privacy protection

To protect consumer data and privacy, the sales department keeps customer information confidential, and only authorized personnel are granted access to this information. The Group collects information from suppliers and customers for various purposes and implements appropriate procedures to ensure that the collected information is only used for legitimate and relevant purposes. The Group's corporate policy outlines data privacy requirements, which stipulate that customer and supplier data shall only be used for matters related to the Group's operations. The Group strives to ensure that all collected data stored is protected against unauthorized or accidental access, processing, deletion, or other uses.

Intellectual property

The Group has established regulations for the registration and application of intellectual property rights to standardize the proper use of our company's design copyrights and trademarks, thereby avoiding situations where rights are infringed or violated due to untimely application for intellectual property protection. The Group also protects its intellectual property by continuously using and registering domain names and trademarks. Our domain names are constantly monitored and renewed before their expiration dates.

As of the year ended 31 December 2024, the Group complied with laws and regulations that have a significant impact on the health and safety, labelling and privacy of products, including but not limited to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Advertising Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China.

Anti-corruption

The anti-corruption policy has been developed to ensure that all personnel strictly adhere to the Group's "zero tolerance" policy on corruption, bribery and extortion that may occur in their daily work. Any form of bribery, forgery and misappropriation of materials, including intellectual property, extortion, fraud and money laundering are strictly prohibited. The anti-fraud policy sets out the expectation for each employee to be vigilant and attentive to any potential fraudulent activity in the performance of their duties. In addition, the Employee Handbook provides appropriate codes of conduct on gifts, conflicts of interest and other matters to raise awareness of fraud risks among all personnel. Institutional training has been arranged with a focus on fostering integrity and providing guidance to directors and staff on identifying and dealing with fraud.

In addition, the Group is committed to enhancing compliance training. All Board members have participated in online webinars organized by the Hong Kong Independent Commission Against Corruption on topics related to corruption, fraud, conflicts of interest, cross-border bribery, backdoor listings and insider trading.

Whistleblowing policies and procedures

We encourage transparency and honesty and provide channels for reporting misconduct or bad behaviour. The whistleblower policy safeguards those who report such activity from potential influence. Employees are strongly encouraged to report suspicious activity to their immediate supervisor, senior management or audit committee in a timely manner, while remaining anonymous. The Company shall exercise caution in responding to reports of all suspected cases of fraud and conduct thorough investigations with the utmost confidentiality. Where necessary, corrective action and disciplinary action (including dismissal in a number of cases) shall be taken promptly. All suspicious transactions discovered during the investigation shall be promptly reported to the relevant authorities by the responsible party.

Comply with laws and regulations

As of the year ended 31 December 2024, the Group complied with laws and regulations related to anti-corruption and money laundering, including but not limited to the following:

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

No judicial cases have been brought against the Group or its employees for corruption and concluded during the year ended 31 December 2024.

Community investment

To continuously give back to society, the Group actively seeks opportunities to participate in various community programs. Our approach to community involvement is as follows:

- We fulfill our corporate social responsibility through sustainable development strategies, expanding our efforts in the field of charitable work;
- We assess how our business activities can benefit the community; and
- We are committed to providing local people with employment opportunities and promoting the economic development of the community.

For the year ended 31 December 2024, the Group’s total donations amounted to RMB 73,500 for supporting the construction of Henglin Primary School in Henglin, Changzhou Economic Development Zone, and local public welfare organizations in Changzhou, Jiangsu Province.

Stock Exchange ESG INDEX

Indicators	Details	Corresponding Chapters
A. Environment		
Aspect A1: Type of emissions		
General Disclosure	Information on the policies and compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental
A1.1	The types of emissions and respective emissions information.	Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in tons and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
A1.5	Emissions target(s) set and steps taken to achieve them.	Emissions
A1.6	How hazardous and non-hazardous wastes are handled, a description of reduction target(s) set and steps taken to achieve them.	Emissions
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	Use of resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of resources
A2.3	Energy use efficiency target(s) set and steps taken to achieve them.	Use of resources
A2.4	Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of resources
A2.5	Total packaging materials used for finished products (in tons) and, where appropriate, with reference to per unit produced.	Use of resources

Indicators	Details	Corresponding Chapters
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimizing the Company's significant impact on the environment and natural resources.	Environmental and natural resources
A3.1	The significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental and natural resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
B2.2	Lost days due to work injury.	Health and Safety

Indicators	Details	Corresponding Chapters
B2.3	Occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employee's knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labor Standard		
General Disclosure	Information on: (a) The policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labor Standard
B4.1	Measures to review employment practices to avoid child and forced labor.	Labor Standard
B4.2	Steps taken to eliminate such practices when discovered.	Labor Standard
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Indicators	Details	Corresponding Chapters
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2	Number of products and services related complaints received and how they are dealt with.	Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Indicators	Details	Corresponding Chapters
Aspect B8: Community investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities interests.	Community investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community investment
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community investment

Corporate Governance Practices

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

Throughout the financial year ended 31 December 2024, the Company has complied with the requirements set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Corporate Culture and Strategy

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

(i) Integrity – we strive to do what is right;

(ii) Excellence – we aim to deliver excellence;

(iii) Collaboration – we are always better together;

(iv) Accountability – we are accountable for delivering on our commitments;

(v) Empathy – we care about our stakeholders – employees, customers, supply chain and the community; and

(vi) Sustainability – we are committed to a sustainable future.

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

Board of Directors

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

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

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision A.2.1 of the CG Code, which include:

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

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

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

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Shen Min *(Chairman)*
Ms. Liu Hui *(Chief Executive Officer)*
Mr. Shen Minghui

Independent Non-executive Directors

Mr. Xie Xing
Mr. Wang Li
Ms. Long Mei

Two independent non-executive Directors have the appropriate professional accounting qualifications or related financial management experience and expertise.

Each of the Directors has entered into a service contract with the Company for a fixed term of three years which may only be terminated in accordance with the provisions of the service contract or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) any Director giving to the Company not less than one month's prior notice in writing. The appointment of Directors is also subject to retirement and re-election in accordance with the articles of associations of the Company.

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

The relationship of the chairman of the Board, Mr. Shen Min and two executive Directors, namely, Mr. Shen Minghui and Ms. Liu Hui, is the son and the daughter-in-law of Mr. Shen Min respectively. Ms. Liu Hui is also the spouse of Mr. Shen Minghui. Other than these, there is no financial, business or other material/relevant relationships among members of the Board.

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

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

The Company has established a board independence evaluation mechanism during the year ended 31 December 2024 which sets out the processes and procedures to ensure a strong independent element so as to allow the Board to exercise independent judgment effectively for safeguarding the Shareholders' interests. The objectives of the evaluation are to improve board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies the actions of the Company required to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. Pursuant to the board independence evaluation mechanism, the Board reviewed the implementation and effectiveness of the board independence evaluation mechanism during the year ended 31 December 2024 and the results were satisfactory.

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

Board Diversity Policy

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

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

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

The board diversity policy is well implemented as evidenced by the fact that there are 2 female and 4 male Directors ranging from 38 years old to 66 years old with experience from different industries and sectors.

The Board has reviewed and considered the implementation of the board diversity policy to be effective during the year ended 31 December 2024.

Nomination Policy

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

Dividend Policy

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

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

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

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

Whistleblowing Policy

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

Anti-Corruption Policy

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

During the year ended 31 December 2024, there was no non-compliance case in relation to bribery and corruption.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director so as to ensure that he or she is sufficiently aware of his or her responsibilities under Listing Rules and other relevant regulatory requirements.

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system and in this regard, the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditor and/or law firms in Hong Kong. The Group would provide funding to all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group's business and to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices.

Pursuant to the code provision C.1.4 of the CG Code, all Directors had participated in the following professional development in the form of materials reading and participation in webcast during the year ended 31 December 2024:

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

Board Meetings

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. The Company has complied with the code provision C.5.1 of the CG Code in the year ended 31 December 2024. Details of the attendance of the Directors for the year ended 31 December 2024 are as follows:

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

Chairman and Chief Executive Officer

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

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

Audit Committee

The Company established an audit committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The audit committee currently consists of three independent non-executive Directors, namely Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei. The chairman of the audit committee is Mr. Xie Xing, who has appropriate professional qualification and experience in accounting matters.

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

The Group's audited annual results in respect of the year ended 31 December 2024 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 2024.

The audit committee held two meetings during the year ended 31 December 2024, at which the audited annual results of the Group for the year ended 31 December 2023, the unaudited interim results of the Group for the six months ended 30 June 2024 and other matters related to the financial and accounting policies and practice were discussed and reviewed. The audit committee also reviewed the internal control review report prepared by the independent professional advisor and put forward relevant recommendations to the Board. In addition, the audit committee fulfilled its responsibilities in corporate governance and in monitoring the effectiveness of the auditing process and the independence of the auditor at the meetings held during the year ended 31 December 2024. Individual attendance of each committee member at the meetings during the year ended 31 December 2024 are as follows:

Name of members	Attended/eligible to attend
Mr. Xie Xing *(Chairman)*	2/2
Mr. Wang Li	2/2
Ms. Long Mei	2/2

Remuneration Committee

The Company established a remuneration committee on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The remuneration committee currently consists of three members, namely Ms. Liu Hiu, an executive Director, Mr. Wang Li and Ms. Long Mei, both being independent non-executive Directors. Ms. Long Mei currently serves as the chairlady of the remuneration committee.

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

The members of the remuneration committee should meet at least once a year. During the year from 1 January 2024 to 31 December 2024, the remuneration committee held one meeting, at which the Group's overall remuneration practices and scale and other remuneration-related matters in respect of the Directors and senior management were discussed and reviewed. Individual attendance of each committee member at the meeting during the year ended 31 December 2024 are as follows:

Name of members	**Attended/eligible to attend**
Ms. Long Mei *(Chairlady)*	1/1
Mr. Wang Li	1/1
Ms. Liu Hui	1/1

The remuneration committee has adopted the model whereby the remuneration committee makes recommendation to the Board on the remuneration packages of executive Directors and senior management and to make recommendation to the Board on the remuneration of the independent non-executive Directors. Remuneration payment made to senior management of the Group for the year ended 31 December 2024 falls within the following band:

	Number of individuals	
Remuneration Band (RMB)	**2024**	2023
Nil to RMB1,000,000	2	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 currently consists of three members, namely Mr. Shen Min, an executive Director, Mr. Xie Xing and Mr. Wang Li, both being independent non-executive Directors. Mr. Wang Li currently serves as the chairman of the nomination committee.

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

The members of the nomination committee should meet at least once a year. During the year ended 31 December 2024, the nomination committee held one meeting, at which the structure, size and composition (including the skills, knowledge and experience) of the Board members were reviewed. It also assessed the independence of the independent non-executive Directors and recommended the re-election of the retired Directors at the annual general meeting of the Company. Individual attendance of each committee member at the meetings during the year ended 31 December 2024 is as follows:

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

Company Secretary

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

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

Directors' and Auditor's Responsibilities for Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. As at 31 December 2024, 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 62 to 67 of this report.

Auditors' Remuneration

For the year ended 31 December 2024, remuneration paid/payable to the auditor for audit service is approximately RMB1,176,000 (2023: RMB1,151,000).

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the code of conduct regarding the dealings in securities during the year ended 31 December 2024. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the year ended 31 December 2024 and up to the date of this report.

Risk Management and Internal Control

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

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

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

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

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. Throughout the year ended 31 December 2024, the Group complied with the code provisions on internal control and risk management. In particular, the Group appointed an independent internal control consultant to carry out a review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions for the year ended 31 December 2024. The Directors were satisfied that the internal control systems as appropriate to the Group for the year ended 31 December 2024 were implemented properly and that no significant areas of weaknesses came into attention.

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

Investor Relations

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

The Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the shareholders at the annual general meetings ("**AGM**") and the extraordinary general meetings ("**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.

In accordance with Provision F.2.2 of the CG Code, attendance of members of the Board to the AGM held on 14 June 2024 is as follows:

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

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

The Shareholders may put forward proposals at general meetings by requisitioning an EGM. Pursuant to article 64 of the articles of association of the Company, EGM 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 EGM 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 the following channels for maintaining on-going dialogue with the Shareholders and considers that implementation of the communication policy is effective:

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

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

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

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

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

Constitutional Documents

There was no change in the memorandum and articles of association of the Company in the year ended 31 December 2024.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

Corporate Reorganisation

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

The Company completed the corporate reorganisation on 15 March 2018 in preparation for the listing of its shares on the Stock Exchange, pursuant to which the Company became the holding company of the companies now comprising the Group.

Since 17 January 2020 (the "**Listing Date**"), all 1,000,000,000 Shares in issue have been listed on the Main Board of the Stock Exchange.

Principal Activities

The Company is an investment holding company. Its principal subsidiaries are engaged in manufacturing and sales of access flooring products and provision of related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC.

Details of the Company's principal subsidiaries as at 31 December 2024 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 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 31 to the consolidated financial statements in this annual report.

Distributable Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 71 of this annual report.

The Company's reserves available for distribution to the shareholders as at 31 December 2024 amounted to RMB202,407,000 (2023: RMB205,725,000).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on pages 148 of this annual report.

Directors

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

Executive Directors
Mr. Shen Min *(Chairman)*
Mr. Shen Minghui
Ms. Liu Hui *(Chief Executive Officer)*

Independent Non-executive Directors
Mr. Xie Xing
Mr. Wang Li
Ms. Long Mei

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

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

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/ Nature of interest	Number of shares *(Note 1)* held/ interested in	Percentage of interest in the Company
Mr. Shen Min	Interest in a controlled corporation *(Note 2)*	272,625,000	27.26%
	Interest of spouse *(Note 3)*	231,375,000	23.14%
		504,000,000	50.40%
Mr. Shen Minghui	Interest in a controlled corporation *(Note 4)*	131,475,000	13.15%
Ms. Liu Hui	Interest of spouse *(Note 5)*	131,475,000	13.15%
Mr. Xie Xing	Beneficial owner	35,000	0.0035%
Ms. Long Mei	Beneficial owner	70,000	0.007%

Notes:

1. All interests stated are long positions.

2. Mr. Shen Min owns 100% of the issued share capital of Jiachen Investment Limited ("**Jiachen Investment**"). Accordingly, Mr. Shen Min is deemed to be interested in all the Shares held by Jiachen Investment by virtue of the SFO.

3. Ms. Zhang Yaying, the spouse of Mr. Shen Min, owns 100% of the issued share capital of Xinchen Investment Limited ("**Xinchen Investment**"), which, in turn, holds 231,375,000 Shares. By virtue of the SFO, Mr. Shen Min is deemed or taken to be interested in all the Shares in which Ms. Zhang Yaying has, or is deemed to have, an interest for the purpose of the SFO.

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

5. Ms. Liu Hui is the spouse of Mr. Shen Minghui. By virtue of the SFO, Ms. Liu Hui is deemed or taken to be interested in all the Shares in which Mr. Shen Minghui has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests or short position which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange.

Share Option Scheme

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

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

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

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

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

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

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

The principal terms of the Scheme are as follows:

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

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

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

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

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

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

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

(h) The Scheme shall be valid for a period of 10 years commencing from 19 December 2019.

No share option has been granted since the adoption of the Scheme and there was no outstanding share option as at 31 December 2024.

Director's Rights to Purchase Shares or Debentures

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

Equity-Linked Agreements

Save as disclosed in this report, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares during the year.

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

As at 31 December 2024, so far as is known to the Directors and chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/ Nature of interest	Number of shares *(Note 1)* held/ interested in	Percentage of interest in the Company
Jiachen Investment *(Note 2)*	Beneficial owner	272,625,000	27.26%
Xinchen Investment *(Note 3)*	Beneficial owner	231,375,000	23.14%
Ms. Zhang Yaying	Interest in a controlled corporation *(Note 3)* Interest of spouse *(Note 4)*	231,375,000 272,625,000	23.14% 27.26%
Yilong Investment *(Note 5)*	Beneficial owner	131,475,000	13.15%
Global Yunhong Group Limited ("**Global Yunhong**") *(Note 6)*	Beneficial owner	100,000,000	10.00%
Mr. Li Yubao	Interest in a controlled corporation *(Note 6)*	100,000,000	10.00%

Notes:

1. All interests stated are long positions.

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

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

4. Mr. Shen Min, the spouse of Ms. Zhang Yaying, owns 100% of the issued share capital of Jiachen investment, which, in turn holds 272,625,000 Shares. By virtue of the SFO, Ms. Zhang Yaying is deemed or taken to be interested in all the Shares in which Mr. Shen Min has, or is deemed to have, an interest for the purpose of the SFO.

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

6. Global Yunhong is wholly-owned by Mr. Li Yubao. By virtue of the SFO, Mr. Li Yubao is deemed to be interested in all of the Shares held by Global Yunhong.

Save as disclosed above, as at 31 December 2024, no other persons (not being the Directors and chief executives of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2024, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the material related party transactions are set out in note 35 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Major Customers and Suppliers

For the year ended 31 December 2024, sales to the Group's five largest customers accounted for 24.9% (2023: 23.7%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 6.2% (2023: 5.6%).

For the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for 49.9% (2023: 51.6%) 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 18.8% (2023: 21.3%).

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 2024.

Pre-Emptive Rights

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

Permitted Indemnity Provision

During the year ended 31 December 2024 and up to the date of this report, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duties. The Company has arranged directors' and officers' liability insurance policy of the Company for the year ended 31 December 2024.

Employee Benefits

Details of the accounting policy for employee benefits are disclosed in note 3(q) to the consolidated financial statements. The employee benefits of the Group amounted to approximately RMB19,450,000 (2023: RMB17,222,000) for the year ended 31 December 2024, including the contributions to the defined contribution retirement schemes of approximately RMB3,235,000 (2023: RMB2,754,000) as disclosed in note 9 to the consolidated financial statements. No forfeited contributions (by the Group on behalf of employees who leave the defined contribution plans prior to vesting fully in such contributions) can be used by the Group to reduce the existing level of contributions.

Competing Interests

As at 31 December 2024, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor has any other conflict of interest with the Group.

Deed of Non-Competition

Other than Global Yunhong, the substantial shareholders of the Company (the "**Substantial Shareholders**") disclosed under the heading "SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY" in this Directors' report have entered into the Deed of Non-Competition in favour of the Company pursuant to which each of the covenantors has undertaken (for itself and for the benefit of each of the subsidiaries of the Group) that with effect from the date of Listing, they would not and would procure that none of their associates (except for any members of the Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in the PRC or such other places as the Group may conduct or carry on business from time to time including but not limited to the manufacturing and sale of access flooring products and provision of related installation services (the "**Restricted Business**").

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

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

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

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

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

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

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

The independent non-executive Directors have reviewed: (i) the Deed of Non-competition; and (ii) the written declarations by the Substantial Shareholders (other than Yunhong Global) to comply with their undertakings under the Deed of Non-competition during the year ended 31 December 2024, and were satisfied that the terms of the Deed of Non-competition had been duly complied with and enforced during the year ended 31 December 2024.

During the year ended 31 December 2024, the Board had not received any written confirmation from any of the Directors in respect of interest in any business (other than the Group) which is or is likely to be directly or indirectly in competition with the business of the Group. In light of the above, the Substantial Shareholders (other than Yunhong Global) are considered to have complied with their undertakings under the Deed of Non-competition during the year ended 31 December 2024.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. As at 31 December 2024, no treasury shares (as defined under the Listing Rules) were held by the Company.

Charitable Donations

During the year ended 31 December 2024, the charitable and other donations made by the Group amounted to approximately RMB73,500 (2023: RMB30,000).

Sufficiency of Public Float

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

Business Review

A fair review of the business of the Company, a description of the principal risks and uncertainties facing the Company, an indication of likely future development in the Company's business as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 6 to 17 of this annual report. A discussion on the Company's environmental policies and performance and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends are set out in the Environmental, Social and Governance Report on pages 21 to 39 of this annual report. These discussions form part of this report.

Corporate Governance

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 40 to 52 of this annual report.

Event After the Reporting Period

There was no significant event subsequent to 31 December 2024 and up to the approval of this report.

Auditor

The consolidated financial statements for the year ended 31 December 2024 have been audited by Crowe (HK) CPA Limited ("**Crowe**"). Crowe shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the Listing Date.

On behalf of the Board

Liu Hui
Executive Director

24 March 2025

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

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

Opinion

We have audited the consolidated financial statements of JiaChen Holding Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 68 to 147, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information.

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 2024, 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(s)(i), 4(b)(i) and (v), 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 access flooring plates and/or installation services were transferred to the customers. Revenue was recognised when the control of the access flooring plates and/or the installation services have been transferred to the customers, over time or at a point in time. The progress towards complete satisfaction of the performance obligations are based on direct measurement of the actual quantities of the access flooring plates that were delivered to and accepted by the customers or installed onto the customers' properties, depending on the types of the sales contracts, using the output method. 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) Understanding 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 authorised 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; and (f) 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(j)(i), 4(b)(iii), 21(a), 22 and 38(a) to consolidated financial statements) At 31 December 2024, the Group's trade and bills receivables and contract assets amounted to approximately RMB201.9 million and RMB51.2 million, net of the allowance for lifetime expected credit losses ("**ECL**") of approximately RMB50.6 million and RMB3.4 million, respectively, and accounted for 41.0% and 10.4% of the Group's total assets, respectively. In the normal course of its ordinary business, the Group generally grants its customers with a credit period ranging from 60 to 365 days after billings. Contract assets represent the Group's rights to contract consideration for the promised access flooring plates and/or installation services transferred by the Group to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the access flooring plates and/or installation services transferred by the Group, other than on passage of time. When the rights to receipt of consideration for the performed obligations become unconditional, billings are issued to the customers and the contract assets are reclassified to trade and bills receivables. At 31 December 2024, contract assets also include retention monies, representing 3% to 10% of the consideration of the underlying contracts, of approximately RMB10.1 million retained by the customers and due for settlement only at the expiry date of the product assurance warranty period, usually within 1 to 2 years and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group. Contract assets share substantially the same risk characteristics of the trade and bills receivables for the same types of the sales contracts. The Group's customers are mainly the large property developers and state-owned enterprises in the People's Republic of China (the "**PRC**"). The Group does not hold any collateral as security for the trade and bills receivables and contract assets. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after the year end. Loss allowances for trade and bills receivables and contract assets are measured at an amount equal to lifetime ECLs that are expected to result from all possible default events over the expected lives of the trade and bills receivables and contract assets. Lifetime ECLs on the trade and bills receivables and contract assets are estimated by reference to the collective risk characteristics of the customers, using a provision matrix based on the Group's historical credit loss experiences, as adjusted for current conditions at the reporting period end and forward-looking information, factors specific to the debtors and general economic environment. We identified the impairment of trade and bills receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements and management's significant judgement and inherent estimation uncertainties are involved in determining the ECLs for trade and bills receivables and contract assets.	Our procedures in relation to the impairment of trade and bills receivables and contract assets mainly included: (a) Understanding the Group's process on trade debt collection and impairment assessment of trade and bills receivables and contract assets; (b) Evaluating the past matrix rates of historical 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 lifetime ECLs 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 accuracy of analysis of the ageing bands for different groupings of not due and past due trade debts in the provision matrix, and challenging the reasonableness of the provision rates applied in the ECL model adopted by the management, taking into consideration of historical credit loss rates and forward-looking information specific to the debtors, current and future economic and market conditions, like the forecasted 2025 PRC GDP growth rate with reference to expectations of credit analysts and International Monetary Fund, which may have impacts on the customers' abilities to settle their trade debts to the Group in future; (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 ECLs 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, 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 skepticism 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2025

Liu, Mok Lan, Cliny
Practising Certificate Number: P07270

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	**257,788**	235,248
Cost of sales		**(194,802)**	(190,508)
Gross profit		**62,986**	44,740
Other revenue and other net income	7	**4,506**	5,510
Selling expenses		**(12,237)**	(9,459)
Impairment of contract assets and trade and bills receivables, net	9	**(11,225)**	(7,575)
Administrative expenses		**(15,131)**	(12,766)
Research and development expenses	9	**(11,441)**	(10,627)
Profit from operations		**17,458**	9,823
Finance costs	8	**(3,165)**	(3,400)
Profit before taxation	9	**14,293**	6,423
Income tax	10	**(2,337)**	(488)
Profit and total comprehensive income for the year		**11,956**	5,935
Attributable to:			
Owners of the Company		**11,882**	5,890
Non-controlling interests		**74**	45
Profit and total comprehensive income for the year		**11,956**	5,935
		RMB cents	*RMB cents*
Earnings per share			
Basic and diluted earnings per share	14	**1.19**	0.59

The notes on pages 74 to 147 form an integral part of these financial statements.

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	15	75,261	70,183
Land use rights	16	46,190	47,180
Right-of-use assets	17	–	91
Other intangible assets	18	–	–
Long-term deposits and prepayments	19	3,624	3,968
Deferred tax assets	30(b)	8,382	6,699
		133,457	128,121
Current assets			
Inventories	20	43,446	50,011
Contract assets	21(a)	51,221	80,949
Trade and bills receivables	22	201,900	164,918
Deposits, prepayments and other receivables	23	9,491	12,689
Restricted bank deposits	24	5,989	4,561
Cash and cash equivalents	25	46,824	41,881
		358,871	355,009
Total assets		492,328	483,130
Current liabilities			
Trade payables	26	38,554	33,283
Contract liabilities	21(b)	2,532	3,468
Accruals and other payables	27	31,258	40,113
Amounts due to directors	35(b)	734	322
Lease liabilities	28	–	86
Bank borrowings	29	90,990	90,990
Tax payable	30(a)	3,267	1,824
		167,335	170,086
Net current assets		191,536	184,923
Total assets less current liabilities		324,993	313,044

AS AT 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	28	–	7
Net assets		**324,993**	313,037
Equity			
Share capital	31(a)	**8,856**	8,856
Reserves	31	**314,654**	302,772
Equity attributable to owners of the Company		**323,510**	311,628
Non-controlling interests	32	**1,483**	1,409
Total equity		**324,993**	313,037

Approved and authorised for issue by the board of directors on 24 March 2025.

Shen Min
Director

Liu Hui
Director

The notes on pages 74 to 147 form an integral part of these financial statements.

	Equity attributable to owners of the Company							
	Share capital *RMB'000* *(note 31(a))*	Share premium *RMB'000* *(note 31(b))*	Capital reserve *RMB'000* *(note 31(c))*	Statutory reserve *RMB'000* *(note 31(d))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *(note 32)*	Total *RMB'000*
At 1 January 2023	8,856	154,249	1,577	15,476	125,580	305,738	1,364	307,102
Profit and total comprehensive income for the year	–	–	–	–	5,890	5,890	45	5,935
Transfer to statutory reserve	–	–	–	956	(956)	–	–	–
At 31 December 2023 and 1 January 2024	**8,856**	**154,249**	**1,577**	**16,432**	**130,514**	**311,628**	**1,409**	**313,037**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**11,882**	**11,882**	**74**	**11,956**
Transfer to statutory reserve	**–**	**–**	**–**	**1,587**	**(1,587)**	**–**	**–**	**–**
At 31 December 2024	**8,856**	**154,249**	**1,577**	**18,019**	**140,809**	**323,510**	**1,483**	**324,993**

The notes on pages 74 to 147 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
Profit before taxation		**14,293**	6,423
Adjustments for:			
Interest income	*7*	**(751)**	(1,990)
Finance costs	*8*	**3,165**	3,400
Impairment of contract assets and trade and bills receivables, net	*9*	**11,225**	7,575
Depreciation of property, plant and equipment	*15*	**5,799**	4,509
Amortisation of land use rights	*16*	**990**	969
Depreciation of right-of-use assets	*17*	**56**	114
Net loss on disposal of property, plant and equipment	*9*	**56**	660
Written-off of other payables	*7*	**–**	(181)
Operating profit before changes in working capital		**34,833**	21,479
Decrease/(increase) in inventories		**6,565**	(4,388)
Increase in contract assets, trade and bills and other receivables		**(15,588)**	(23,515)
Increase in trade payables		**5,271**	14,316
Decrease in other payables and contract liabilities		**(4,861)**	(2,512)
Increase in amounts due to directors	*35(b)*	**412**	322
Cash generated from operations		**26,632**	5,702
Tax paid	*30(a)*	**(2,577)**	(2,682)
Cash generated from operating activities		**24,055**	3,020
Investing activities			
Payment for acquisition of property, plant and equipment		**(15,884)**	(15,375)
Payment for acquisition of land use rights		**–**	(1,040)
Proceeds from disposal of property, plant and equipment		**365**	618
Placement of restricted bank deposits		**(1,428)**	(2,254)
Interest received		**751**	1,990
Net cash used in investing activities		**(16,196)**	(16,061)

	Notes	2024 RMB'000	2023 RMB'000
Financing activities			
Proceeds from bank borrowings	*36*	**99,087**	156,990
Repayment of bank borrowings	*36*	**(99,087)**	(145,990)
Repayment of lease liabilities	*36*	**(58)**	(113)
Interests paid	*36*	**(2,858)**	(3,210)
Net cash (used in)/generated from financing activities		**(2,916)**	7,677
Increase/(decrease) in cash and cash equivalents		**4,943**	(5,364)
Cash and cash equivalents at beginning of year		**41,881**	47,245
Cash and cash equivalents at end of year		**46,824**	41,881

The notes on pages 74 to 147 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 Act Chapter 22 of Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is No. 18 Changhong East Road, Henglin Town, Wujin District, Changzhou City, Jiangsu Province, the People's Republic of China (the "**PRC**").

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

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

At 31 December 2024 and 2023, the immediate and ultimate holding company of the Company was Jiachen Investment Limited ("**Jiachen Investment**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by 沈敏 (Mr. Shen Min) ("**Mr. Shen**") who was regarded as the ultimate controlling party of the Group.

2. Subsidiaries

The Company has direct and indirect interests in the following subsidiaries at 31 December 2024 and 2023:

Name	Place of incorporation	Place of business	Form of legal entity	Issued and paid up capital	Effective interest held by the Company	Principal activities
Directly held by the Company						
LeiShuo Ventures Development Limited ("**LeiShuo Ventures**")	BVI	Hong Kong ("**HK**")	Limited liability company	US$1	100%	Investment holding
Rui Xing Holdings Limited ("**Rui Xing Holdings**")	BVI	HK	Limited liability company	US$1	100%	Investment holding
Indirectly held by the Company						
Jinyueda Development Limited ("**Jinyueda Development**")	HK	HK	Limited liability company	HK$1	100%	Investment holding
Victor Best Investment Limited ("**Victor Best Investment**")	HK	HK	Limited liability company	HK$1	100%	Investment holding
常州市金港商務信息咨詢有限公司 (Changzhou Jingang Business Information Consulting Co., Ltd.*) ("**Changzhou Jingang**")	PRC	PRC	Limited liability company	RMB1,000,000	100%	Investment holding
常州市金台商務信息咨詢有限公司 (Changzhou Jintai Business Information Consulting Co., Ltd.*) ("**Changzhou Jintai**")	PRC	PRC	Limited liability company	RMB1,000,000	99%	Investment holding
佳辰地板常州有限公司 (JiaChen Floor Changzhou Co., Ltd.*) ("**JiaChen Floor**")	PRC	PRC	Limited liability company	RMB130,800,000	99.54%	Manufacturing and supply of steel access flooring plates and calcium-sulfate access flooring plates
佳辰優選網絡科技(江蘇)有限公司 (Jiachen Youxuan Network Technology (Jiangsu) Company Limited*) ("**Jiachen Youxuan Network**")	PRC	PRC	Limited liability company	RMB10,000,000	100%	Dormant
江蘇佳辰高新材料科技有限公司 (Jiangsu Jiachen High Tech Materials Technology Company Limited*) ("**Jiachen High Tech**")	PRC	PRC	Limited liability company	RMB80,000,000	99.54%	Dormant

* *For identification purpose only*

2. Subsidiaries (Continued)

Changzhou Jingang, being a wholly-owned subsidiary of Jinyueda Development and a wholly foreign-owned enterprise, directly holds 99% of the registered capital of Changzhou Jintai while Changzhou Jintai and Victor Best Investment, at 31 December 2024, directly hold 46.48% (2023: 46.48%) and 53.52% (2023: 53.52%) of the registered capital of JiaChen Floor, respectively.

JiaChen Floor is the core operating entity of the Group during the years ended 31 December 2024 and 2023.

Changzhou Jingang, Changzhou Jintai, JiaChen Floor, Jiachen Youxuan Network and Jiachen High Tech are registered as foreign-owned enterprise, domestic-owned enterprise, sino-foreign equity joint venture enterprise, domestic-owned enterprise and domestic-owned enterprise, respectively, under the applicable laws of the PRC. None of the subsidiaries had issued any debt securities at 31 December 2024 and 2023.

3. Material Accounting Policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the financial results of the Company and its subsidiaries.

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

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

3. Material Accounting Policies (Continued)

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

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

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

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

(c) Changes in accounting policies

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

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current Liabilities and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenant
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements
- Amendments to HKAS 16, Lease Liability in a Sale and Leaseback

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current Liabilities and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenant

The amendments impact the classification of a liability as current or non-current and have been applied retrospectively as a package. Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period. Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification.

The amendments do not result in a change in the classification of the Group's borrowings.

3. Material Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments have no material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

Amendments to HKAS 16, Lease Liability in a Sale and Leaseback

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of the initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

The Group has not adopted any new and amended standards that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from shareholders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

3. Material Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

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

(e) Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

3. Material Accounting Policies (Continued)

(e) Business combinations or assets acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets and liabilities, related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employees Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non- current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. Material Accounting Policies (Continued)

(e) Business combinations or assets acquisitions (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 Financial Instruments would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Material Accounting Policies (Continued)

(f) Property, plant and equipment

The following items of property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses:

– interests in leasehold land and buildings where the Group is the registered owner of the property interest;

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– other items of property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment.

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
Leasehold improvement	5 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.

3. Material Accounting Policies (Continued)

(g) Other intangible assets (other than goodwill)

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. Computer software is amortised over its estimated useful life of 5 years.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

3. Material Accounting Policies (Continued)

(h) Leased assets (Continued)

The Group as a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (note 3(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

3. Material Accounting Policies (Continued)

(i) Land use rights

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

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– contract assets as defined in HKFRS 15 Revenue (see note 3(l)).

Measurement of ECLs

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

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

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

– variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

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

3. Material Accounting Policies (Continued)

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

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

Measurement of ECLs (Continued)

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

For all other financial instruments (including a loan commitment), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

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

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

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

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

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

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

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

3. Material Accounting Policies (Continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 3(s)(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

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. Material Accounting Policies (Continued)

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

(ii) Impairment of other non-current assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequent if events or changes in circumstances and indicate that they might be impaired. Other assets are tested for impairment whatever events or changes in circumstances indicate that the carrying amount may not be recovered. 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:

– property, plant and equipment;

– right-of-use assets;

– land use rights;

– other intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generated unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

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

3. Material Accounting Policies (Continued)

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

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

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

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

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

3. Material Accounting Policies (Continued)

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 3(j)(i) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 3(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction prices. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequently to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

3. Material Accounting Policies (Continued)

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(t)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit plan obligations

Contributions to Mandatory Provident Funds (the "**MPF**") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss and when incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries in Mainland China are required to contribute 16% of their payroll costs to the central pension scheme. Contributions to pension schemes operated by the local municipal government in Mainland China fully vest with the employers when contributed and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. Material Accounting Policies (Continued)

(q) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognised restructuring costs involving the payment of termination benefits.

(r) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

3. Material Accounting Policies (Continued)

(r) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Revenue recognition

(i) Revenue from contracts with customers

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

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

3. Material Accounting Policies (Continued)

(s) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

- provides the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Group performs; or

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

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

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

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

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

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

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

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

3. Material Accounting Policies (Continued)

(s) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

More specifically, revenue is recognised as follows:

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

3. Material Accounting Policies (Continued)

(s) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

- 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.

- 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.

- Income from provision of after-sale repair services is recognised when the after-sale repair services are rendered by the Group and accepted by the customer, in accordance with the terms of the contract made with the customer. During the years ended 31 December 2024 and 2023, no after-sale repair service was rendered by the Group.

The Group's rights to consideration for the promised access flooring plates and installation services transferred by the Group to the customers under a contract but not yet billed, as the rights to receipt of consideration are still conditional on something other than on passage of time, are recognised as contract assets, and when the Group's rights to receipt of consideration from the customers become unconditional, the rights to consideration for contract obligations performed are transferred to trade receivables. Contract assets also include retention monies receivables, representing 3% to 10% of the contract price, retained by the customers and will be due for settlement only at the end of specified product assurance warranty period, usually within 1–2 years, and after physical inspection by the customers as their satisfaction to the quality of access flooring plates and/or installation services transferred by the Group, in accordance with terms of the underlying contracts. The payment terms differ from contracts to contracts and are based on commercial negotiations made between the Group and the customers. Most of the payments are payable according to the specified milestone stage of performance of the contracts and with a credit term ranging from 60 to 365 days, based on the Group's evaluation on the creditworthiness of the customers. The payments are commensurate with the Group's performances and under the contracts, retention monies retained by the customers are intended for protection against non-performance. The Group does not intend to give a financing to its other customers and the Group makes efforts to collect the receivables and timely monitors the credit risk.

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

3. Material Accounting Policies (Continued)

(s) Revenue recognition (Continued)

(i) Revenue from contracts with customers (Continued)

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

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

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

(ii) Interest income

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

(iii) Government grants and subsidies

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

(t) Borrowing costs

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

(u) Translation of foreign currencies

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

3. Material Accounting Policies (Continued)

(v) Provisions and contingent liabilities

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

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

(w) Related parties

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

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

   (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. Material Accounting Policies (Continued)

(x) Segment reporting

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

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

4. Accounting Judgements and Estimation Uncertainties

(a) Accounting Judgement

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Income 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 Judgements and Estimation Uncertainties (Continued)

(b) Sources of Estimation uncertainties

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

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

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

4. Accounting Judgements and Estimation Uncertainties (Continued)

(b) Sources of Estimation uncertainties (Continued)

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

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

(ii) Net realisable value of inventories

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

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

The Group determines the provision for impairment of trade and other receivables and contract assets (including retention monies receivable) on a forward-looking basis and lifetime ECLs are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed bad debt rates on the contract assets, trade and bills receivables at each reporting period ended 31 December 2014 to 2022 and is adjusted for forward looking estimates. Other receivables are considered for 12-month ECLs unless there was significant increase in the credit risk of the debtors in which case, lifetime ECLs are recognised. Contract assets will be transferred to trade receivables when the contract work performed are satisfied by the customers, or in case of the retention monies receivable which are also included in contract assets, the warranty period expires when the customers are satisfied with the final quality of the access flooring plates transferred and/or installation performed, which is taken a point in time when the Group has unconditional right to receive payments from the customers under the contracts. The Group assesses that the contract assets (including the retention monies receivable) have substantially the same risk characteristics as the trade receivables for same types of contracts. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At each reporting period end, the historical observed bad debt rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

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

4. Accounting Judgements and Estimation Uncertainties (Continued)

(b) Sources of Estimation uncertainties (Continued)

(iv) Depreciation and amortisation of property, plant and equipment

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

(v) Product warranty

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the access flooring plates, which were sold by the Group, and control of access flooring plates were passed to the customers over time (which is taken as when the access flooring plates are installed onto the customers' properties or possession of the access flooring plates are accepted by the customers) or at a point in time, for a specified period of time normally falling between 1 to 2 years, on a contract by contract basis, after the control of access flooring plates were transferred to the customers under the relevant sales contracts. Management of the Group considered that the warranty clauses only provide the customers with assurance that the access flooring plates will function as the Group and the customers, being parties to the contracts, intended in accordance with the agreed-upon specifications and accordingly, the warranty clauses do not provide the customers with a service in addition to assurance that the access flooring plates comply with agreed-upon specifications. There were no significant costs incurred in the past for those access flooring plates after sales during the warranty period and at 31 December 2024. Management of the Group was not aware of any events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clauses of the sales contracts in respect of those access flooring plates sold to the customers.

5. Operating Segment Information

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

– Steel access flooring plates; and

– Calcium-sulfate access flooring plates.

(a) Segment results, assets and liabilities

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

– Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and bills payables, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.

– Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

5. Operating Segment Information (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue from external customers	**177,315**	174,353	**80,473**	60,895	**257,788**	235,248
Reportable segment gross profit	**45,224**	35,723	**17,762**	9,017	**62,986**	44,740
Reportable segment results	**15,085**	11,256	**3,671**	(739)	**18,756**	10,517
Other information:						
Other revenue and other net income/(loss):						
– Government subsidies	**1,112**	1,589	**505**	555	**1,617**	2,144
– Other interest income	**385**	1,566	**241**	341	**626**	1,907
– Net loss on disposal of property, plant and equipment	**(56)**	(660)	**–**	–	**(56)**	(660)
– Scrap sales	**1,600**	1,660	**–**	–	**1,600**	1,660
– Exchange gain, net	**400**	142	**181**	49	**581**	191
Depreciation and amortisation	**2,237**	2,713	**4,383**	2,653	**6,620**	5,366
Impairment of trade and bills receivables, net	**9,691**	5,793	**3,198**	2,009	**12,889**	7,802
Reversal of impairment of contract assets, net	**(1,203)**	(174)	**(461)**	(53)	**(1,664)**	(227)
Reportable segment assets	**253,546**	262,894	**184,157**	172,291	**437,703**	435,185
Additions to non-current segment assets during the year	**791**	1,113	**9,921**	26,515	**10,712**	27,628
Reportable segment liabilities	**127,637**	130,801	**34,394**	31,791	**162,031**	162,592

5. Operating Segment Information (Continued)

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

	2024 *RMB'000*	2023 *RMB'000*
Revenue		
Reportable segment total revenue and consolidated revenue	**257,788**	235,248
Profit or loss		
Reportable segment results	**18,756**	10,517
Unallocated other revenue	**138**	268
Unallocated head office and corporate expenses	**(1,436)**	(962)
Unallocated finance costs	**(3,165)**	(3,400)
Consolidated profit before taxation	**14,293**	6,423

(c) Reconciliations of reportable assets and liabilities

	2024 *RMB'000*	2023 *RMB'000*
Assets		
Reportable segment assets	**437,703**	435,185
Unallocated head office and corporate assets	**54,625**	47,945
Consolidated total assets	**492,328**	483,130
Liabilities		
Reportable segment liabilities	**162,031**	162,592
Unallocated head office and corporate liabilities	**5,304**	7,501
Consolidated total liabilities	**167,335**	170,093

5. Operating Segment Information (Continued)

(d) Information about major customer

There was no major customer who contributed 10% or more of the total revenue of the Group for the years ended 31 December 2024 and 2023.

(e) Geographical information

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

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

	2024 *RMB'000*	2023 *RMB'000*
PRC	**225,574**	198,519
Hong Kong	**–**	1,219
Other countries and regions *(note below)*	**32,214**	35,510
	257,788	235,248

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

6. Revenue

	2024 *RMB'000*	2023 *RMB'000*
Revenue from contracts with customers by types of performance obligations:		
– Sales of access flooring plates	**243,522**	223,230
– Provision of installation services	**14,266**	12,018
	257,788	235,248
Analysis of revenue by types of contracts:		
– Supply of access floor plates and provision of installation services	**199,939**	165,899
– Supply of access floor plates	**57,608**	69,038
– Provision of installation services	**241**	311
	257,788	235,248

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

	2024 *RMB'000*	2023 *RMB'000*
Revenue recognised over time:		
– Sales of access flooring plates	**185,914**	154,192
– Provision of installation services	**14,266**	12,018
	200,180	166,210
Revenue recognised at a point in time:		
– Sales of access flooring plates	**57,608**	69,038
	257,788	235,248

7. Other Revenue and Other Net Income

	2024 RMB'000	2023 RMB'000
Other revenue:		
Bank interest income	**125**	83
Other interest income	**626**	1,907
	751	1,990
Other net income:		
Government subsidies *(note below)*	**1,617**	2,144
Scrap sales	**1,600**	1,660
Net loss on disposal of property, plant and equipment	**(56)**	(660)
Exchange gain, net	**581**	191
Written-off of other payables	**–**	181
Sundry income	**13**	4
	3,755	3,520
	4,506	5,510

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

8. Finance Costs

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	**2,855**	3,202
Loss on derecognition of financial assets upon factoring without recourse	**307**	190
Unwinding of finance costs on lease liabilities	**3**	8
	3,165	3,400

9. Profit Before Taxation

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

	2024 RMB'000	2023 RMB'000
Contract costs of goods sold and services rendered *(note (a))*	**194,802**	190,508
Depreciation of property, plant and equipment *(note 15)*	**5,799**	4,509
Depreciation of right-of-use assets *(note 17)*	**56**	114
Amortisation of land use rights *(note 16)*	**990**	969
Impairment of trade and bills receivables *(note 22(b))*	**12,889**	7,802
Reversal of impairment of contract assets *(note 21(a))*	**(1,664)**	(227)
Impairment of contract assets and trade and bills receivables, net	**11,225**	7,575
Net loss on disposal of property, plant and equipment	**56**	660
Auditor's remuneration	**1,176**	1,151
Short-term operating lease charges in respect of properties and land use rights	**473**	992
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	**16,215**	14,468
– Contributions to defined contribution retirement plans	**3,235**	2,754
Total staff costs	**19,450**	17,222
Research and development expenses *(note (b))*	**11,441**	10,627

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately RMB135,168,000 (2023: RMB141,325,000), staff costs of approximately RMB7,408,000 (2023: RMB6,202,000), installation costs of approximately RMB16,357,000 (2023: RMB12,068,000), transportation costs of approximately RMB3,983,000 (2023: RMB9,936,000), depreciation of property, plant and equipment of approximately RMB5,178,000 (2023: RMB3,663,000), and short-term operating lease charges in respect of properties and land use rights of approximately RMB Nil (2023: RMB587,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development expenses

Included in the research and development expenses were raw materials consumed of approximately RMB6,881,000 (2023: RMB5,441,000), staff costs of approximately RMB2,729,000 (2023: RMB2,569,000) and depreciation of property, plant and equipment of approximately RMB393,000 (2023: RMB321,000), which were included in the respective total amounts disclosed above for each type of these expenses.

10. Income Tax

No provision for Hong Kong Profits Tax has been made as the Group has no taxable income derived in Hong Kong during the years ended 31 December 2024 and 2023.

The PRC Corporate Income Tax ("**CIT**") has been provided at the statutory rate of 25% (2023: 25%). On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as "High Technology Enterprise". Accordingly, JiaChen Floor had been entitled to a preferential CIT rate of 15% for three years commencing on 1 January 2019. The qualification was renewed in 2022 and JiaChen Floor was entitled to enjoy preferential CIT rate of 15% for the period of three years from 2022.

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. As set out in note 30(c), at 31 December 2024 and 2023, 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.

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

	2024 **_RMB'000_**	2023 _RMB'000_
Current tax – PRC Corporation Income Tax		
– Charge for the year	**4,020**	1,624
Deferred tax		
– Reversal and origination of temporary differences *(note 30(b))*	**(1,683)**	(1,136)
	2,337	488

10. Income Tax (Continued)

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	14,293	6,423
Notional tax on profit before taxation, calculated at the tax rates applicable in the jurisdictions concerned	3,855	1,923
Effect of preferential income tax policy in the PRC	(1,828)	(1,010)
Tax effect of non-deductible expenses	3,586	2,261
Tax effect of non-taxable income	(63)	(85)
Tax effect for deduction on qualifying research and development expenses	(1,530)	(1,465)
Tax effect of temporary differences recognised	(1,683)	(1,136)
Income tax expense for the year	2,337	488

11. Directors' and Chief Executive's Remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2024				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Shen Min (Chairman)	–	240	–	–	240
Mr. Shen MInghui	–	300	50	75	425
Ms. Liu Hui	–	264	100	50	414
Independent non-executive directors					
Mr. Xie Xing	109	–	–	–	109
Mr. Wang Li	109	–	–	–	109
Ms. Long Mei	109	–	–	–	109
	327	804	150	125	1,406

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

	Year ended 31 December 2023				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Shen Min (Chairman)	–	240	20	–	260
Mr. Shen MInghui	–	240	20	73	333
Mr. Chen Shiping (resigned on 25 October 2023)	–	202	20	–	222
Ms. Liu Hui	–	168	14	48	230
Independent non-executive directors					
Mr. Xie Xing	108	–	–	–	108
Mr. Wang Li	108	–	–	–	108
Ms. Long Mei	108	–	–	–	108
	324	850	74	121	1,369

No emolument was paid and payable to any of the directors of the Company and the five highest paid individuals of the Group, set out in note 12 below, as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2024 and 2023. None of the directors of the Company and the five highest paid individuals of the Group waived or agreed to waive any emoluments for the years ended 31 December 2024 and 2023.

12. Emoluments of Five Highest Paid Individuals

Of the five highest paid individuals of the Group, three (2023: four) are the directors of the Company, whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other two (2023: one) is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Salaries and other emoluments	**777**	540

12. Emoluments of Five Highest Paid Individuals (Continued)

The emoluments of the other two individual (2023: one individual) with the highest emoluments of the Group is within the following bands:

	2024 Number of individuals	2023 Number of individuals
Nil–RMB1,000,000	**2**	1

13. Dividends

The board of directors did not recommend the payment of any dividend in respect of the years ended 31 December 2024 and 2023.

14. Earnings Per Share

The calculation of the basic earnings per share for the years ended 31 December 2024 and 2023 are based on the following data:

	2024 ***RMB'000***	2023 *RMB'000*
Profit for the year attributable to the owners of the Company	**11,882**	5,890
	'000	*'000*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,000,000**	1,000,000

Basic earnings per share for the year ended 31 December 2024 amounted to RMB1.19 cents (2023: RMB0.59 cents) per share.

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

15. Property, Plant and Equipment

	Leasehold buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1/1/2023	13,772	–	31,690	962	2,308	27,099	75,831
Additions	4,911	–	1,989	77	–	19,584	26,561
Disposals	–	–	(5,977)	(41)	–	–	(6,018)
Transfer	25,906	–	9,356	–	–	(35,262)	–
At 31/12/2023 and 1/1/2024	44,589	–	37,058	998	2,308	11,421	96,374
Additions	–	191	497	135	260	10,215	11,298
Disposals	–	–	(839)	(11)	(256)	–	(1,106)
Transfer	89	–	8,136	–	–	(8,225)	–
At 31/12/2024	44,678	191	44,852	1,122	2,312	13,411	106,566
Accumulated depreciation and impairment							
At 1/1/2023	7,076	–	16,829	867	1,650	–	26,422
Charge for the year	1,264	–	2,796	43	406	–	4,509
Written back on disposal	–	–	(4,700)	(40)	–	–	(4,740)
At 31/12/2023 and 1/1/2024	8,340	–	14,925	870	2,056	–	26,191
Charge for the year	2,122	21	3,518	57	81	–	5,799
Written back on disposal	–	–	(432)	(10)	(243)	–	(685)
At 31/12/2024	10,462	21	18,011	917	1,894	–	31,305
Carrying amounts							
At 31/12/2024	34,216	170	26,841	205	418	13,411	75,261
At 31/12/2023	36,249	–	22,133	128	252	11,421	70,183

15. Property, Plant and Equipment (Continued)

Notes:

(a) As at 31 December 2024, the carrying amount of leasehold buildings of approximately RMB5,388,000 (2023: RMB6,042,000) were pledged to a bank as security for the banking facilities granted to the Group as referred to in notes 29(a) and 33.

(b) During the year ended 31 December 2024, depreciation expense was charged to "cost of sales", "selling expenses" and "administrative expenses", respectively as follow:

	2024 *RMB'000*	2023 *RMB'000*
Cost of sales	**5,178**	3,663
Selling expenses	**6**	7
Administrative expenses	**615**	839
	5,799	4,509

16. Land Use Rights

	2024 *RMB'000*	2023 *RMB'000*
Beginning of the year	**47,180**	47,109
Addition	**–**	1,040
Amortisation	**(990)**	(969)
End of the year	**46,190**	47,180

Notes:

(a) All of the Group's land use rights are located in the PRC with the remaining leasehold period of 43 to 48 (2023: 44 to 49) years at 31 December 2024.

(b) As at 31 December 2024, the carrying amount of land use rights of approximately RMB7,348,000 (2023: RMB7,521,000) was pledged to a bank as security for the banking facilities granted to the Group as referred to in notes 29(a) and 33.

17. Right-of-Use Assets

	RMB'000
Cost	
At 1 January 2023	227
Addition	67
Release upon lease termination	(66)
At 31 December 2023 and 1 January 2024	**228**
Derecognition upon early termination of a lease (note (c))	**(67)**
Release upon lease termination	**(161)**
At 31 December 2024	**–**
Accumulated depreciation and impairment	
At 1 January 2023	89
Depreciation for the year	114
Release upon lease termination	(66)
At 31 December 2023 and 1 January 2024	**137**
Depreciation for the year	**56**
Derecognition upon early termination of a lease (note (c))	**(32)**
Release upon lease termination	**(161)**
At 31 December 2024	**–**
Carrying amounts	
At 31 December 2024	**–**
At 31 December 2023	91

Notes:

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

(b) During the years ended 31 December 2024 and 2023, depreciation expense was charged to "selling expenses".

(c) Upon the early termination of a lease during the year ended 31 December 2024, right-of-use assets with net carrying amount of approximately RMB35,000, and related lease liabilities of approximately RMB35,000 were derecognised.

18. Other Intangible Assets

	Computer software RMB'000
Cost	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	238
Accumulated amortisation and impairment	
At 1 January 2023	238
Charge for the year	–
At 31 December 2023, 1 January 2024 and 31 December 2024	238
Carrying amounts	
At 31 December 2024	–
At 31 December 2023	–

19. Long-Term Deposits and Prepayments

	2024 RMB'000	2023 RMB'000
Prepayments for acquisition of property, plant and equipment	3,624	3,968

Note:

Prepayments for acquisition of property, plant and equipment were made in accordance with the payment terms as stipulated in the acquisition contract entered into between JiaChen Floor and an independent third party. Subsequent to 31 December 2024 and up to the date of the approval of these consolidated financial statements, all the prepayments for property, plant and equipment have been settled towards the purchase costs of the property, plant and equipment. The acquisition costs which are contracted but not provided for are included in commitments (note 34(b)).

20. Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	15,880	20,281
Finished goods	27,566	29,730
	43,446	50,011

21. Contract Assets and Contract Liabilities

(a) Contract assets

	2024 RMB'000	2023 RMB'000
Rights to consideration for obligations performed on contracts in progress	**44,488**	75,222
Retention receivables on completed contracts	**10,094**	10,752
	54,582	85,974
Less: allowance for impairment loss	**(3,361)**	(5,025)
	51,221	80,949
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and Bills Receivables" *(note 22)*	**246,878**	201,473

Notes:

(i) 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 at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

(ii) Retention receivables from the Group's access flooring plate installation business and are held by contract customers in order to provide customers with assurance that the Group will complete its obligations satisfactorily under the contracts. They are in general settled within a period ranging from 1 year to 2 years after the completion of the installation work as stipulated in the contracts or at the expiry date of the product assurance warranty period.

(iii) The expected timing of recovery or settlement of contract assets as at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**135,896**	137,106
More than one year	**5,732**	5,832
	141,628	142,938

The Group has assessed the impairment of its contract assets on an individual basis on the internal credit rating and aging of these balances which, in the opinion of the directors, had no significant increase in credit risk during the year. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. ECL rate of 6.16% (2023: 5.84%) has been provided on several credit deteriorated balances and ECL provision of RMB3,361,000 (2023: RMB5,025,000) was made for contract assets as at 31 December 2024.

The movement in the loss allowance for impairment of contract assets is as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**5,025**	5,252
Reversal of impairment loss	**(1,664)**	(227)
At end of year	**3,361**	5,025

21. Contract Assets and Contract Liabilities (Continued)

(a) Contract assets (Continued)

Notes: (Continued)

(iv) Movements of the contract assets, before allowance for lifetime ECLs, during the years ended 31 December 2024 and 2023 are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Beginning of the year	**85,974**	90,895
Entitlement to considerations for contract performance obligations discharged for the year comprising:		
– Revenue recognised (exclusive of value-added tax) *(note 6)*	**257,788**	235,248
– Value-added tax on revenue recognised (see note below)	**29,445**	25,879
	287,233	261,127
Transferred to trade receivables when rights to payments became unconditional	**(315,826)**	(264,980)
Transferred to and offset by contract liabilities *(note 21(b))*	**(2,799)**	(1,068)
End of the year	**54,582**	85,974

Note:

During the years ended 31 December 2024 and 2023, the considerations of those contracts entered into between the Group and the customers in the PRC were subject to value-added tax ("**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 rate at 13%.

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

(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:

	2024 *RMB'000*	2023 *RMB'000*
At beginning of year	**3,468**	2,095
Advance considerations received from customers	**1,863**	2,441
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(2,799)**	(1,068)
At end of year	**2,532**	3,468

22. Trade and Bills Receivables

	2024 *RMB'000*	2023 *RMB'000*
Trade receivables	**246,878**	201,473
Bills receivables	**5,621**	1,155
	252,499	202,628
Less: allowance for impairment loss *(notes (b) and (c))*	**(50,599)**	(37,710)
	201,900	164,918

Notes:

(a) An ageing analysis of the trade and bills receivables (net of allowance for impairment loss) as at 31 December 2024, based on the invoice date, is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Within 1 month	**52,430**	32,298
1 to 3 months	**55,843**	30,638
3 to 6 months	**15,568**	31,534
6 to 9 months	**3,737**	26,908
9 to 12 months	**20,441**	8,109
1–2 years	**42,301**	29,632
Over 2 years	**11,580**	5,799
	201,900	164,918

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 2024 and 2023. The trade and bills receivables are non-interest bearing.

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

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

Statistical regression model has been adopted to project the estimated lifetime ECL rates on each ageing band of contract assets and trade and bills receivables as at 31 December 2024 and 2023, based on co-efficient relationship of the actual bad debt rates on each ageing bands of trade and bills receivables and contract assets at each reporting period ended 31 December 2014 to 2024 (2023: 2014 to 2023) and the respective annual PRC GDP growth rates following each of these reporting period ends.

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

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

Management of the Group has been closely monitoring the status of accounts owing by its customers during and after the years ended 31 December 2024 and 2023. Close contact with customers has been maintained to ensure there is no major issue arising from the payment process. Consideration would be given to the issuance of pre-action letters and the institution of legal proceedings against the relevant customers to recover outstanding amounts as well as penalty, liquidated damages and other expenses as permitted under the laws of the PRC, and consideration would also be given to the negotiations of new repayment schedules to recover the outstanding debts if necessary.

Set out below is the analysis of the calculation of the ECL rates on contract assets and trade and bills receivables at 31 December 2024, using the co-efficient factors between the bad debt loss rates and the annual PRC GDP growth rates which were derived from the statistical regression model, and adjusted after considering the additional individual assessment of status of subsequent settlements received from the customers and the financial difficulties of the defaulted customers:

	Coefficient of determination (R squared), the proportion of the variance in the ECL rate that is predictable from the following year's PRC GDP growth rate *	Intercept for the linear between the following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** A %	Coefficient factor between following year's PRC GDP growth rate and actual bad debt loss rates at each reporting period end ** B	Estimated ECL rate at 31 December 2024, based on the regression model C=A+B*2025 GDP growth rate (=5%) *** C %	Applied ECL rate at 31 December 2024 after considering individual assessment of customers %
Contract assets	0.32	4.19	-0.4239	2.07	6.16*****
Trade and bills receivables					
Not yet due or current	0.75	6.85	-0.7705	3.00	3.00
Past due:					
Within 1 month	0.47	13.86	-1.4439	6.64	6.64
1–3 months	0.50	23.08	-2.7253	9.45	9.45
3–6 months	0.18	11.34	-0.9577	6.56	15.48****
6–9 months	0.04	10.77	-0.2559	9.49	16.07****
9–12 months	0.24	26.19	-2.3607	14.39	24.21****
1–2 years	0.21	43.26	-3.2598	26.97	50.23****
Over 2 years	0.35	64.34	-4.7228	40.72	86.17****
Overall – Trade and bills receivables	0.38	19.56	-1.6491	11.31	20.04

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

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

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

*** *The initial official target GDP growth rate for 2025 is 5% as announced by the PRC government. The expected GDP growth rate for 2025 is considered to be reasonable by reference to the estimation of the credit analysts.*

**** *ECL rate for each of the above ageing bands of trade and bills receivables of past due within 3–6 months, 6–9 months, 9–12 months, 1–2 years and past due over 2 years are adjusted after considering the status of subsequent settlements received after 31 December 2024 and additional individual assessment on the payment history and patterns of the customers falling into each of these respective ageing bands of trade and bills receivables and financial difficulties of the defaulted customers.*

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

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

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

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. At 31 December 2024, allowance for impairment loss on trade and bills receivables amounted to approximately RMB50,599,000 (2023: RMB37,710,000) was made.

	2024 RMB'000	2023 RMB'000
At beginning of year	**37,710**	29,908
Impairment loss recognised	**12,889**	7,802
At end of year *(note (c)(ii))*	**50,599**	37,710

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

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

During the year ended 31 December 2024, management of the Group has been continuing its efforts in chasing the trade debt collections from the customers while the overall economic performance and conditions in the PRC were experiencing an economic slowdown, as reflected by the actual 2024 PRC GDP growth rate being at 5.0% as compared to the actual 2023 PRC GDP growth rate being at 5.2%. The estimates for allowance for lifetime expected credit loss and bad debt loss rates on contract assets and trade and bills receivables at 31 December 2023 have been revised, after having considered the updated settlements on contract assets and trade and bills receivables totaling approximately RMB133,997,000 and RMB41,047,000, respectively, received from the Group's customers as follows:

	Gross carrying amount *RMB'000*	Lifetime ECL (previously reported) (note (c)(ii) below) *RMB'000*	Lifetime ECL (revised) *RMB'000*	Previously reported ECL rate (note (c)(ii) below) *%*	Revised lifetime ECL rate *%*	Over/ (under) allowance for lifetime ECL *RMB'000*
Contract assets	85,974	5,025	4,906	5.84	5.71	119
Trade and bills receivables	202,628	37,710	35,573	18.61	17.56	2,137
Not yet due or current	66,593	1,799	2,365	2.70	3.55	(566)
Past due						
Within 1 month	15,053	986	592	6.55	3.93	394
1 to 3 months	29,063	2,500	4,060	8.60	13.97	(1,560)
3 to 6 months	25,202	3,189	3,226	12.65	12.80	(37)
6 to 9 months	19,664	3,011	2,812	15.31	14.30	199
9 to 12 months	9,411	1,861	2,892	19.77	30.73	(1,031)
1 to 2 years	15,896	6,521	7,079	41.02	44.54	(558)
Over 2 years	21,746	17,843	12,547	82.05	57.70	5,296

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(c) The provision matrix is based on its historical observed bad debt rates, current conditions at the reporting period end as adjusted for factors specific to the customers such as history and patterns of settlements from the customers, financial difficulties of the defaulted customers and forward-looking estimates, such as expected economic conditions after the reporting period end. At the reporting period end, the provision matrix of historical observed bad debt rates and the forward-looking estimates are analysed and updated.

(i) The matrix analysis of the Group's actual historic bad debt rates on the contract assets and trade and bills receivables at each of the reporting period ends of 2014 to 2023 (as updated for subsequent changes in estimates) and the expected rates for lifetime ECLs on contracts assets and trade and bills receivables at 31 December 2024 are as follows:

	Historical bad debt rates									Average historical bad debt rates	Estimated bad debt rates for lifetime ECL	
	at 31 December									at 31 December	at 31 December	
	2014	2015	2016	2017	2018	2019	2020*	2021*	2022*	2014 to 2022	2023*	2024
Contract assets	0.00%	0.00%	0.18%	1.43%	1.65%	2.13%	2.36%	4.24%	3.47%	1.72%	5.71%	6.16%
Trade and bills receivables												
Not yet due or current	0.83%	1.12%	0.22%	1.20%	2.77%	4.17%	1.34%	5.25%	3.87%	2.31%	3.55%	3.00%
Past due:												
Within 1 month	0.00%	1.27%	3.83%	3.02%	5.42%	8.87%	6.21%	12.96%	10.21%	5.75%	3.93%	6.64%
1 to 3 months	0.00%	3.66%	4.49%	4.14%	6.20%	25.95%	5.73%	6.34%	3.93%	6.71%	13.97%	9.45%
3 to 6 months	0.00%	0.85%	7.91%	3.69%	6.07%	12.74%	6.71%	3.18%	4.53%	5.07%	12.80%	15.48%
6 to 9 months	0.00%	0.07%	7.68%	8.03%	9.26%	7.86%	15.05%	6.15%	24.64%	8.75%	14.30%	16.07%
9 to 12 months	2.30%	1.44%	5.09%	7.60%	10.02%	13.69%	15.90%	22.61%	17.06%	10.63%	30.73%	24.21%
1–2 years	25.62%	1.80%	4.79%	33.36%	16.46%	25.73%	23.23%	40.15%	29.89%	22.33%	44.54%	50.23%
Over 2 years	8.07%	35.66%	31.41%	36.99%	25.53%	63.23%	35.93%	35.14%	42.66%	34.96%	57.70%	86.17%
Overall – Trade and bills receivables	3.60%	6.38%	9.32%	6.12%	7.32%	10.69%	12.73%	11.82%	13.84%	9.09%	17.56%	20.04%

* *ECL rates for 2020 to 2023 were updated for subsequent changes in estimates.*

A higher estimated lifetime ECL rate on contract assets at 31 December 2024 at 6.16% (2023: 5.71%) was applied, after taking into account of several customers individually identified with significant financial difficulties at 31 December 2024.

The ECL rates on each of the ageing bands of trade and bills receivables at 31 December 2024 generally increased primarily attributable to the expected slowdown of the economic performance in the PRC in 2024 by reference to the actual official PRC GDP growth rate for 2024 at 5%, as compared to actual GDP growth rate of 5.2% for 2023.

In the opinion of the directors of the Company, the bad debt rates applied for the measurement of the lifetime ECLs of the Group's contract assets and trade and bill receivables at 31 December 2024 and 2023 are reasonable and adequate.

22. Trade and Bills Receivables (Continued)

Notes: (Continued)

(c) (Continued)

(ii) The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2024 and 2023:

	As at 31 December 2024			
	Lifetime ECL rate	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(note 21(a))*	**6.16%**	**54,582**	**3,361**	**51,221**
Trade and bills receivables	**20.04%**	**252,499**	**50,599**	**201,900**
		307,081	**53,960**	**253,121**
Trade and bills receivables:				
Net yet due or current	**3.00%**	**115,170**	**3,457**	**111,713**
Past due				
Within 1 month	**6.64%**	**6,199**	**412**	**5,787**
1 to 3 months	**9.45%**	**9,880**	**934**	**8,946**
3 to 6 months	**15.48%**	**21,778**	**3,371**	**18,407**
6 to 9 months	**16.07%**	**31,280**	**5,025**	**26,255**
9 to 12 months	**24.21%**	**23,416**	**5,669**	**17,747**
1 to 2 years	**50.23%**	**19,065**	**9,577**	**9,488**
Over 2 years	**86.17%**	**25,711**	**22,154**	**3,557**
	20.04%	**252,499**	**50,599**	**201,900**

	As at 31 December 2023			
	Lifetime ECL rate*	Gross carrying amount *RMB'000*	Lifetime ECL *RMB'000*	Net carrying amount *RMB'000*
Contract assets *(note 21(a))*	5.84%	85,974	5,025	80,949
Trade and bills receivables	18.61%	202,628	37,710	164,918
		288,602	42,735	245,867
Trade and bills receivables:				
Net yet due or current	2.70%	66,593	1,799	64,794
Past due				
Within 1 month	6.55%	15,053	986	14,067
1 to 3 months	8.60%	29,063	2,500	26,563
3 to 6 months	12.65%	25,202	3,189	22,013
6 to 9 months	15.31%	19,664	3,011	16,653
9 to 12 months	19.77%	9,411	1,861	7,550
1 to 2 years	41.02%	15,896	6,521	9,375
Over 2 years	82.05%	21,746	17,843	3,903
	18.61%	202,628	37,710	164,918

* *Updated estimates for ECL rates on contract assets and trade and bills receivables at 31 December 2023 are referred to note 22(b).*

23. Deposits, Prepayments and Other Receivables

	2024 RMB'000	2023 RMB'000
Contract performance deposits *(note (b))*	**358**	2,634
Tender deposits *(note (c))*	**1,103**	1,114
Prepayments for purchases of raw materials *(note (d))*	**4,089**	4,347
Deposits paid for the acquisition of plant and machinery	**110**	110
Deposits paid for electricity and nature gas	**663**	658
Refundable security deposit paid *(note (e))*	**175**	584
Prepayments *(note (f))*	**1,090**	1,608
Rental deposits	**169**	236
Others – individually insignificant	**1,844**	1,508
	9,601	12,799
Allowance for 12 months expected credit losses:		
– Deposits paid for acquisition of plant and machinery	**(110)**	(110)
	9,491	12,689

Notes:

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

(b) When a contract is awarded by a customer to the Group, the Group is required to pay a contract performance deposit of approximately 10% of the contract sum as security for the Group's performance in accordance with the contract which is made between the Group and the customer. The contract performance deposits are refundable and will be refunded to the Group when the performance obligations promised in the contracts are completed by the Group. The contract performance deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement to the contract customers. No provision for 12-month ECLs was recognised on these contract performance deposits during the years ended 31 December 2024 and 2023.

(c) When the Group submits a bid in the tendering process, the Group is required to make a refundable tender deposit, which is specified on a tender by tender basis, to the prospective customer. The tender deposits will be refunded to the Group when the outcomes of the tenders are confirmed by the prospective customers. The tender deposits are not bearing interest and, in the opinion of the directors of the Company, are not intended and regarded as a financing arrangement made by the Group to the prospective customers. All the tender deposits paid for tender bids can be fully recoverable and no provision for 12-month ECLs was recognised during the years ended 31 December 2024 and 2023.

23. Deposits, Prepayments and Other Receivables (Continued)

Notes: (Continued)

(d) The prepayments for purchase of raw materials were paid to the independent suppliers in accordance with the relevant purchase contracts under which the raw materials were not yet delivered to the Group at 31 December 2024. No provision for impairment was recognised on these prepayments for purchase of raw materials during the years ended 31 December 2024 and 2023.

(e) These refundable deposits were paid to local government as security for the construction of new factories on the two parcels of land acquired by the Group as referred to note 16.

(f) The prepayments mainly comprised advanced payments for transportation and installation costs made to the independent service providers while the relevant services were not yet delivered to the Group.

24. Restricted Bank Deposits

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

25. Cash and Cash Equivalents

	2024 ***RMB'000***	2023 *RMB'000*
Cash at banks	**46,824**	41,881
Denominated in:		
RMB	**44,525**	41,597
USD	**24**	24
HKD	**2,228**	260
Euro	**42**	–
SGD	**5**	–
Cash and cash equivalents	**46,824**	41,881

The cash at banks carried interest at market rates within the range from 0.30% to 0.35% (2023: 0.30% to 0.35%) per annum for the year ended 31 December 2024. Cash at banks earns interest at floating rates on daily deposit rates. Short-term time deposits are placed for varying periods within a tenure of 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are placed with creditworthy banks with no recent history of default.

There was no significant change in the credit risks on the cash at banks and time deposits and no provision for the 12 month-ECL was required at the reporting period end.

26. Trade Payables

	2024 RMB'000	2023 RMB'000
Trade payables	**38,554**	33,283

An ageing analysis of the trade payables as at 31 December 2024, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**29,492**	24,081
1 to 3 months	**4,486**	4,630
3 to 6 months	**3,434**	3,682
Over 6 months	**1,142**	890
	38,554	33,283

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

27. Accruals and Other Payables

	2024 RMB'000	2023 RMB'000
Accounts payable for acquisition of property, plant and equipment	**2,635**	7,565
Accrued installation costs	**17,908**	18,665
Interest payable	**451**	451
Education and construction levies	**1,372**	1,243
Salaries and bonuses payable	**1,069**	888
Value-added tax payable	**4,355**	3,826
Other payables and accruals	**3,468**	7,475
	31,258	40,113

The carrying amounts of accruals and other payables at 31 December 2024 approximate their fair values. All of the accruals and other payables are non-interest bearing, expected to be settled within one year or repayable on demand.

28. Lease Liabilities

	2024 RMB'000	2023 RMB'000
Maturity analysis – contractual undiscounted cash flows:		
Less than 1 year	–	86
1 to 2 years	–	7
Total undiscounted lease liabilities	–	93
Analysed for reporting purpose as:		
Current liabilities	–	86
Non-current liabilities	–	7
	–	93

The effective interest rate profile of the lease liabilities are disclosed in note 38(c)(i).

29. Bank Borrowings

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

	2024 RMB'000	2023 RMB'000
Repayable within 1 year:		
Unsecured bank loans	**8,990**	28,990
Secured bank loans	**42,000**	22,000
Guaranteed bank loans	**40,000**	40,000
	90,990	90,990

At 31 December 2024, all bank borrowings were denominated in RMB and bearing interest at the rates ranging 2.80% to 3.45% (2023: 3.00% to 3.65%) per annum.

29. Bank Borrowings (Continued)

Notes:

(a) At 31 December 2024, bank borrowings totaling approximately RMB42,000,000 (2023: RMB22,000,000) were secured by the following land use rights and leasehold buildings of the Group:

	2024 *RMB'000*	2023 *RMB'000*
Land use rights	**7,348**	7,521
Leasehold buildings	**5,388**	6,042
	12,736	13,563

(b) At 31 December 2024, bank borrowings of RMB40,000,000 (2023: RMB40,000,000) were jointly guaranteed by Mr. Shen, Ms. Zhang, spouse of Mr. Shen, and Mr. Shen MH. Mr. Shen and Mr. Shen MH are executive directors of the Company. In the opinion of the directors of the Group, the estimated fair value of the financial guarantee is insignificant and accordingly, it is not recognised in the Group's financial statements.

(c) At 31 December 2024, the Group had bank borrowings facilities totaling approximately RMB119,000,000 (2023: RMB172,040,000), which were utilised to the extent of approximately RMB90,990,000 (2023: RMB90,990,000) and the Group's available unused credit facilities amounted to approximately RMB28,010,000 (2023: RMB81,050,000).

30. Income Tax in the Consolidated Statement of Financial Position

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

	2024 *RMB'000*	2023 *RMB'000*
Current tax payable:		
At the beginning of the year	**1,824**	2,882
Provision for the year	**4,020**	1,624
Tax paid during the year	**(2,577)**	(2,682)
Tax payable	**3,267**	1,824

30. Income Tax in the Consolidated Statement of Financial Position (Continued)

(b) Deferred tax assets recognised:

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

	Provision for asset impairment *RMB'000*	Other temporary differences *RMB'000*	Total *RMB'000*
At 1 January 2023	5,274	289	5,563
Credited to profit or loss	1,136	–	1,136
At 31 December 2023 and 1 January 2024	**6,410**	**289**	**6,699**
Credited to profit or loss	**1,683**	**–**	**1,683**
At 31 December 2024	**8,093**	**289**	**8,382**

(c) Deferred tax assets and liabilities not recognised:

At 31 December 2024 and 2023, 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 2024, the undistributed profits of JiaChen Floor, which is the key operating subsidiary of the Group in the PRC were approximately RMB166,084,000 (2023: RMB151,804,000) for which the potential deferred tax liabilities, in respect of withholding tax on dividends to be distributed by JiaChen Floor, of approximately RMB8,304,000 (2023: RMB7,590,000) 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 2024 and 2023.

31. Share Capital and Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the change in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital		Reserves					
			Share premium	Capital reserve	Contributed surplus	Accumulated losses	Subtotal	Total
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	10,000	8,856	154,249	11,155	62,183	(18,130)	209,457	218,313
Loss for the year	–	–	–	–	–	(3,732)	(3,732)	(3,732)
At 31 December 2023 and 1 January 2024	**10,000**	**8,856**	**154,249**	**11,155**	**62,183**	**(21,862)**	**205,725**	**214,581**
Loss for the year	–	–	–	–	–	(3,318)	(3,318)	(3,318)
At 31 December 2024	**10,000**	**8,856**	**154,249**	**11,155**	**62,183**	**(25,180)**	**202,407**	**211,263**

(a) Share Capital

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares	
		HK$'000	*RMB'000*
Authorised capital:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	5,000,000	50,000	44,280
Issued capital:			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,000,000	10,000	8,856

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

31. Share Capital and Reserves (Continued)

(b) Share premium

Under the Companies Act 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.

(c) Capital reserve

The Group's capital reserve represented the gains arising from the transfer of certain entities, which were not related to the listing business of the Group, to Mr. Shen.

(d) Statutory reserve

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.

(e) Contributed surplus

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

(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 2024 and 2023, and up to the date of approval of the consolidated financial statements.

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

At 31 December 2024, a total of 1% (2023: 1%) and 0.4648% (2023: 0.4648%) of the registered and paid-up capital of Changzhou Jintai and JiaChen Floor are held collectively by the Company's substantial shareholders, Mr. Shen, Mrs. Shen and Mr. Shen MH, respectively.

Changzhou Jintai, which is an indirect 99%-owned subsidiary of the Company and holds 46.38% of the registered and paid-up capital of JiaChen Floor at 31 December 2024 and 2023, has no material transactions and contributions to the operating results, cash flows, assets and liabilities of the Group for the years ended 31 December 2024 and 2023.

JiaChen Floor, being an indirect 99.5352%-owned subsidiary of the Company at 31 December 2024 and 2023, is the key operating entity of the Group during the years ended 31 December 2024 and 2023. Since the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of financial position of the Group for the years ended 31 December 2024 and 2023 were mainly represented by that of JiaChen Floor, the financial statements of JiaChen Floor for the years ended 31 December 2024 and 2023 are not separately disclosed.

33. Pledge of Assets

As at 31 December 2024, the following assets of the Group were pledged for the Group's bank borrowings:

	2024 ***RMB'000***	2023 *RMB'000*
Land use rights	**7,348**	7,521
Leasehold buildings	**5,388**	6,042
	12,736	13,563

34. Commitments

(a) Operating lease commitments

The Group as lessee

At 31 December 2024, the Group had total future minimum lease payments under non-cancellable operating leases in respect of its staff quarter falling due as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Within one year	**222**	280

(b) Capital commitments

Capital commitments outstanding at 31 December 2024 not provided for in the financial statements were as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	**19,342**	3,053

35. Related Party Transactions

During the year ended 31 December 2024 and up to the date of approval of the consolidated financial statements, the directors of the Company are of the view that the following entities and persons are related parties to the Group:

(a) Relationship

Name of the related parties	Relationship with the Company
Jiachen Investment Limited ("**Jiachen Investment**")	Being wholly owned by Mr. Shen, has directly held 27.26% of the issued capital of the Company at 31 December 2024 and at the date of approval of the consolidated financial statements.
Xinchen Investment Limited ("**Xinchen Investment**")	Being wholly-owned by Ms. Zhang Yaying ("**Ms. Zhang**" or "**Mrs. Shen**"), has directly held 23.14% of the issued capital of the Company at 31 December 2024 and at the date of approval of the consolidated financial statements.
Yilong Investment Limited ("**Yilong Investment**")	Being wholly-owned by Mr. Shen Minghui ("**Mr. Shen MH**"), has directly held 13.15% of the issued capital of the Company at 31 December 2024 and at the date of approval of the consolidated financial statements.
Mr. Shen	Sole beneficial owner of Jiachen Investment and an executive director of the Company.
Mrs. Shen or Ms. Zhang	Sole beneficial owner of Xinchen Investment and a former executive director of the Company, spouse of Mr. Shen.
Mr. Shen MH	Sole beneficial owner of Yilong Investment and an executive director of the Company, son of Mr. Shen and Mrs. Shen.
Ms. Liu Hui	An executive director of the Company, spouse of Mr. Shen MH.

35. Related Party Transactions (Continued)

(b) Amounts due to directors

	2024 RMB'000	2023 RMB'000
Ms. Liu Hui	**455**	322
Mr. Shen MH	**279**	–
	734	322

The amounts due are unsecured, interest free and have no fixed repayment terms.

(c) Key management personnel remuneration

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

	2024 RMB'000	2023 RMB'000
Director's fee	**327**	324
Salaries and other emoluments	**1,629**	1,483
Discretionary bonuses	**167**	82
Pension scheme contributions	**156**	121
	2,279	2,010

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

36. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

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

	Financing activities		
	Bank borrowings *RMB'000* *(note 29)*	**Lease liabilities** *RMB'000* *(note 28)*	**Total** *RMB'000*
At 1 January 2023	79,990	139	80,129
Changes from financing cash flows:			
Proceeds from new borrowings	156,990	–	156,990
Repayment of borrowings	(145,990)	–	(145,990)
Payment of lease liabilities	–	(113)	(113)
Interest paid	(3,202)	(8)	(3,210)
Total changes from financing cash flows	7,798	(121)	7,677
Other non-cash changes:			
Interest expenses	3,202	8	3,210
Addition of lease liabilities	–	67	67
Total other non-cash changes	3,202	75	3,277
At 31 December 2023 and 1 January 2024	**90,990**	**93**	**91,083**
Changes from financing cash flows:			
Proceeds from new borrowings	**99,087**	**–**	**99,087**
Repayment of borrowings	**(99,087)**	**–**	**(99,087)**
Payment of lease liabilities	**–**	**(58)**	**(58)**
Interest paid	**(2,855)**	**(3)**	**(2,858)**
Total changes from financing cash flows	**(2,855)**	**(61)**	**(2,916)**
Other non-cash changes:			
Interest expenses	**2,855**	**3**	**2,858**
Early termination of a lease	**–**	**(35)**	**(35)**
Total other non-cash changes	**2,855**	**(32)**	**2,823**
At 31 December 2024	**90,990**	**–**	**90,990**

37. Financial Instruments by Category

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

	2024 RMB'000	2023 RMB'000
Financial assets at amortised costs:		
Trade and bills receivables	**201,900**	164,918
Deposits and other receivables	**4,312**	6,734
Restricted bank deposits and cash and cash equivalents	**52,813**	46,442
Total financial assets	**259,025**	218,094
Financial liabilities at amortised costs:		
Trade payables	**38,554**	33,283
Accruals and other payables	**31,258**	40,113
Amount due to a director	**734**	322
Lease liabilities	**–**	93
Bank borrowings	**90,990**	90,990
Total financial liabilities	**161,536**	164,801

38. Financial Risk Management and Fair Values

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

(a) Credit risk

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

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

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

38. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

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

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

At 31 December 2024, 7% (2023: 8%) and 26% (2023: 22%) of the combined total of contract assets and trade and bills receivables were due from the Group's largest debtor and top five debtors, respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are net carrying amounts after provision for ECLs for financial assets.

38. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Maximum exposure and year-end staging as at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets	–	–	–	51,221	51,221
Trade and bills receivables	–	–	–	201,900	201,900
Financial assets included in deposits, prepayments and other receivables	4,312	–	–	–	4,312
Restricted bank deposits and cash and cash equivalents	52,813	–	–	–	52,813
	57,125	–	–	253,121	310,246

Maximum exposure and year-end staging as at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets	–	–	–	80,949	80,949
Trade and bills receivables	–	–	–	164,918	164,918
Financial assets included in deposits, prepayments and other receivables	6,734	–	–	–	6,734
Restricted bank deposits and cash and cash equivalents	46,442	–	–	–	46,442
	53,176	–	–	245,867	299,043

38. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

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

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

	As at 31 December 2024					
	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 payables	38,554	–	–	–	38,554	38,554
Accruals and other payables	31,258	–	–	–	31,258	31,258
Amount due to a director	734	–	–	–	734	734
Bank borrowings	92,356	–	–	–	92,356	90,990
	162,902	–	–	–	162,902	161,536

	As at 31 December 2023					
	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 payables	33,283	–	–	–	33,283	33,283
Accruals and other payables	40,113	–	–	–	40,113	40,113
Amount due to a director	322	–	–	–	322	322
Lease liabilities	89	7	–	–	96	93
Bank borrowings	92,629	–	–	–	92,629	90,990
	166,436	7	–	–	166,443	164,801

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

38. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

	As at 31 December			
	2024		2023	
	Effective interest rate	**Amount** *RMB'000*	Effective interest rate	Amount *RMB'000*
Fixed rate instruments:				
Lease liabilities *(note 28)*	**–**	**–**	3.45%–4.75%	93
Bank borrowings *(note 29)*	**2.80%–3.45%**	**90,990**	3.00%–3.65%	90,990
Less: Restricted bank deposits *(note 24)*	**0.30%–1.45%**	**(5,989)**	0.30%–1.45%	(4,561)
Cash at banks *(note 25)*	**0.30%–0.35%**	**(46,824)**	0.30%–0.35%	(41,881)
Total net interest-bearing borrowings		**38,177**		44,641

(ii) Sensitivity analysis

As at 31 December 2024, 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 RMB325,000 for the year ended 31 December 2024 (2023: RMB380,000).

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 2023.

38. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)	
	2024	2023
	RMB'000	*RMB'000*
Exposure to US$		
Trade and other receivables	**4,722**	6,855
Cash and bank balances	**24**	24
Exposure to HK$		
Cash and bank balances	**2,228**	260
Exposure to SGD		
Cash and bank balances	**42**	–
Exposure to EURO		
Cash and bank balances	**5**	–
	7,021	7,139

(ii) Sensitivity analysis

As at 31 December 2024, it is estimated that a general increase/decrease of 5% in foreign exchange rate, with all variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB297,000 for the year ended 31 December 2024 (2023: RMB303,000).

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 2023.

38. Financial Risk Management and Fair Values (Continued)

(e) Concentration risk

During the year ended 31 December 2024, the contributions of Group's largest customer and top five customers to the Group's revenue are as follows:

	Top Five Customers %	Largest Customer %
For the years ended 31 December:		
– 2024	24.86	6.17
– 2023	23.67	5.64

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

(f) Capital risk management

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

The capital structure of the Group consists of equity, lease liabilities and bank borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and restricted bank deposits. The debt-to-equity ratio as at 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Lease liabilities	–	93
Bank borrowings	90,990	90,990
	90,990	91,083
Less: Cash and cash equivalents and restricted bank deposits	(52,813)	(46,442)
Net debt	38,177	44,641
Total equity	324,993	313,037
Debt-to-equity ratio	11.75%	14.26%

Neither the Company nor the Group is subject to externally imposed capital requirements.

38. Financial Risk Management and Fair Values (Continued)

(g) Fair values measurement

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost approximate their respective fair values as at 31 December 2024 and 2023.

39. Company Level Statement of Financial Position

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Non-current assets			
Interests in subsidiaries	*2*	**215,040**	215,040
Current assets			
Amount due from a subsidiary		**18**	4,958
Cash and cash equivalents		**2,228**	260
		2,246	5,218
Total assets		**217,286**	220,258
Current liabilities			
Accruals and other payables		**1,306**	5,355
Amount due to a subsidiary		**4,262**	–
Amount due to a director	*35(b)*	**455**	322
		6,023	5,677
Net current liabilities		**(3,777)**	(459)
Net assets		**211,263**	214,581
Capital and reserves			
Share capital	*31(a)*	**8,856**	8,856
Reserves		**202,407**	205,725
Total equity		**211,263**	214,581

40. Comparative Figures

Certain comparative figures have been reclassified to confirm with the current year's presentation.

41. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKAS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Statements[2]
Annual Improvements to HKFRS 16	Amendments to HKFRS 1, HKFRS 7, HKFRS 9 and HKFRS 10 and HKFS 7[2]
Amendments to HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability[3]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027

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

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**257,788**	235,248	227,270	274,920	182,178
Gross profit	**62,986**	44,740	43,064	62,463	37,756
Profit before taxation	**14,293**	6,423	11,604	27,955	1,758
Income tax	**(2,337)**	(488)	(857)	(3,271)	(970)
Profit and total comprehensive income for the year	**11,956**	5,935	10,747	24,684	788
Attributable to:					
Owners of the Company	**11,882**	5,890	10,683	24,542	744
Non-controlling interests	**74**	45	64	142	44
	11,956	5,935	10,747	24,684	788
ASSETS AND LIABILITIES					
Total assets	**492,328**	483,130	447,816	428,056	395,795
Total liabilities	**167,335**	(170,093)	(140,714)	(131,701)	(124,124)
Non-controlling interests	**1,483**	(1,409)	(1,364)	(1,300)	(1,158)
Equity attributable to owners of the Company	**323,510**	311,628	305,738	295,055	270,513