

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

2023
Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECT

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

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

Despite the favourable factors mentioned above, the Group’s total revenue for the six months ended 30 June 2023 (the “**Period**”), however, witnessed a decrease of approximately 8.4% to approximately RMB87.3 million, compared with approximately RMB95.3 million for the corresponding six months in 2022. Attributed to the escalating debt issues in the real state sector of the PRC which signalled potential economic concerns resulting in the slowdown in the economic activities of the commercial building construction industry, the Group resolved to reduce its product selling prices in order to maintain its competitive edge and therefore had to suffer from reduction in total revenue for the Period. The fall back of the total revenue has also led to the reduction in gross profit and net profit of the Group from approximately RMB21.5 million and approximately RMB6.7 million respectively for the six months ended 30 June 2022 to approximately RMB16.2 million and approximately RMB3.1 million respectively for the Period.

In the first half of 2023, China grappled with economic recovery from the COVID-19 pandemic, with its real estate sector facing escalating debt issues, indicating potential economic challenges. Key indicators, such as declining export figures by 14.5% year-on-year in July 2023 and negative growth in the consumer price index, suggest a potential deflationary risk. Major real estate entities are dealing with a debt crisis involving missed bond payments, sparking fears of potential defaults. These challenges, compounded by a downturn in apartment sales and rising youth unemployment, intensify the economic pressures on the country and our industry. However, the report from International Data Corporation highlights a 12.7% growth in China’s data center service market in 2022, which is expected to grow at a compound rate of 18.9% over the next five years, reaching RMB307.5 billion by 2027. This growth correlates with increased demand for data center buildings and our access flooring products which are well known for efficient cable management, quick installation, high compressive strength, fire-resistance, and high load-bearing capacity. These products are ideally positioned to cater for this expanding market and would enhance the Group to a stronger position to meet the rising demand.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SALES ANALYSIS

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

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Steel access flooring products	73,328	84.0	84,749	88.9
Calcium-sulfate access flooring products	13,982	16.0	10,570	11.1
Total	87,310	100.0	95,319	100.0

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

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

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

	For the six months ended 30 June			
	2023		2022	
	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	0.56	130.9	0.56	151.3
Calcium-sulfate access flooring products	0.08	174.8	0.05	211.4
Total	0.64		0.61	

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING COSTS AND EXPENSES

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

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

Finance costs of approximately RMB1.8 million remained almost unchanged for both of the six months ended 30 June 2023 and 2022.

OPERATING RESULTS

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

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

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

CHARGE ON GROUP ASSETS

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

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS HELD

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

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

CASH FLOWS

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

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

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

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OBJECTIVES AND IMPLEMENTATION PLAN

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

Business Strategies	Planned use of proceeds		Actual use of proceeds up to 31 December 2022	Amount utilised during the Period	Unutilised amount as at 30 June 2023	Expected timeframe for the utilisation of the remaining balance
	HK\$'M	%	HK\$'M	HK\$'M	HK\$'M	
1. Increase the production capacity and efficiency						
– Acquisition of a parcel of land in Changzhou City	20.9	24.4	20.9	–	–	N/A
– Construction of infrastructure including two new factory buildings for production and storage	21.9	25.5	21.9	–	–	N/A
– Installation of five additional production lines	26.9	31.4	23.6	3.3	–	N/A
– Installation of environmental-friendly and energy-saving facilities and equipment	2.2	2.6	0.2	0.65	1.35	Installation for the first batch of environmental-friendly and energy-saving facilities and equipment has been completed by the end of May 2023. The remaining portion of environmental-friendly and energy-saving facilities and equipment is expected to be installed by the end of 2024.
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.9	5.1	–	–	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategies	Planned use of proceeds		Actual use of proceeds up to 31 December 2022	Amount utilised during the Period	Unutilised amount as at 30 June 2023	Expected timeframe for the utilisation of the remaining balance
	HK\$'M	%	HK\$'M	HK\$'M	HK\$'M	
3. Repayment of outstanding indebtedness of the Group	5.0	5.8	5.0	–	–	N/A
4. Enhancement and optimization of the information technology system	2.3	2.7	–	–	2.3	Enhancement and optimization of the information technology system aims at satisfying the requirements under the expansion of production capacity resulting from the utilization of the factory buildings. The unutilised amount as at 30 June 2023 is anticipated to be utilised by the end of March 2025
5. Working capital and general corporate purposes	1.5	1.7	1.5	–	–	N/A
Total	85.8	100.0	78.2	3.95	3.65	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION

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

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

(a) Segment results, assets and liabilities

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. 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 six months ended 30 June 2023 and 2022 is set out below:

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (Continued)

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

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

(c) Reconciliations of reportable assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. OPERATING SEGMENT INFORMATION (Continued)

(d) Geographical information

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

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

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

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

4. REVENUE

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE (Continued)

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

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

5. OTHER REVENUE AND OTHER NET INCOME

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. FINANCE COSTS

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

7. PROFIT BEFORE TAXATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. PROFIT BEFORE TAXATION (Continued)

Notes:

- (a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately RMB49,411,000 (six months ended 30 June 2022: RMB54,778,000), staff costs of approximately RMB2,751,000 (six months ended 30 June 2022: RMB2,202,000), installation costs of approximately RMB4,163,000 (six months ended 30 June 2022: RMB4,446,000), transportation costs of approximately RMB4,544,000 (six months ended 30 June 2022: RMB5,520,000), and depreciation of property, plant and equipment of approximately RMB1,349,000 (six months ended 30 June 2022: RMB1,978,000), which were included in the respective total amounts disclosed above for each type of these expenses.

- (b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB2,179,000 (six months ended 30 June 2022: RMB2,402,000), staff cost of approximately RMB1,392,000 (six months ended 30 June 2022: RMB1,146,000) and depreciation of property, plant and equipment of approximately RMB160,000 (six months ended 30 June 2022: RMB256,000), of which, their respective total amounts were disclosed above for each type of these expenses.

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

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

9. DIVIDEND

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

10. EARNINGS PER SHARE

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. CONTRACT ASSETS

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. TRADE AND BILLS RECEIVABLES

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. TRADE PAYABLES

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

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

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

14. CONTRACT LIABILITIES

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

The movements in contract liabilities are set out below:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. SHARE CAPITAL

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

16. MATERIAL RELATED PARTY TRANSACTIONS

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

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

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2023, 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 (“ Mr. Shen ”)	Interest in a controlled corporation ^(Note 2)	277,625,000	27.76%
	Interest of spouse ^(Note 3)	231,375,000	23.14%
		509,000,000	50.90%
Mr. Shen Minghui (“ Mr. Shen MH ”)	Interest in a controlled corporation ^(Note 4)	131,475,000	13.15%
Ms. Liu Hui (“ Ms. Liu ”)	Interest of spouse ^(Note 5)	131,475,000	13.15%
Mr. Xie Xing	Beneficial owner	35,000	0.0035%
Ms. Long Mei	Beneficial owner	50,000	0.005%

Notes:

- All interests stated are long positions.
- Mr. Shen owns 100% of the issued share capital of Jiachen Investment Limited (“**Jiachen Investment**”), which in turn, holds 277,625,000 Shares. Accordingly, Mr. Shen is deemed to be interested in all the Shares held by Jiachen Investment by virtue of the SFO.
- Ms. Zhang Yaying (“**Ms. Zhang**”), the spouse of Mr. Shen, 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 is deemed or taken to be interested in all the Shares in which Ms. Zhang has, or is deemed to have, an interest for the purpose of SFO.
- Mr. Shen MH owns 100% of the issued share capital of Yilong Investment Limited (“**Yilong Investment**”), which, in turns, holds 131,475,000 Shares. Accordingly, Mr. Shen MH is deemed to be interested in 131,475,000 Shares held by Yilong Investment by virtue of the SFO.
- Ms. Liu is the spouse of Mr. Shen MH. By virtue of the SFO, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Shen MH has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company nor his/her associates had any interests or short positions in the Shares, underlying Shares or 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 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), 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.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed by all 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 had been granted by the Company since the adoption of the Scheme and as at 30 June 2023, there was no outstanding share option.

OTHER INFORMATION

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2023 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 six months ended 30 June 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, 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 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 therein:

Name	Capacity/Nature of interest	Number of shares held/interested in ^(Note 1)	Percentage of interest in the Company
Jiachen Investment ^(Note 2)	Beneficial owner	277,625,000	27.76%
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)	231,375,000 277,625,000	23.14% 27.76%
Yilong Investment ^(Note 5)	Beneficial owner	131,475,000	13.15%
Global Yunhong Group Limited ^(Note 6) ("Global Yunhong")	Beneficial owner	100,000,000	10.00%
Mr. Li Yubao	Interest in a controlled corporation ^(Note 6)	100,000,000	10.00%

Notes:

- All interests stated are long positions.
- Jiachen Investment is wholly-owned by Mr. Shen. By virtue of the SFO, Mr. Shen is deemed to be interested in all of the Shares held by Jiachen Investment.
- 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.
- Mr. Shen, the spouse of Ms. Zhang Yaying, owns 100% of the issued share capital of Jiachen investment, which, in turn holds 277,625,000 Shares. By virtue of the SFO, Ms. Zhang Yaying is deemed or taken to be interested in all the Shares in which Mr. Shen has, or is deemed to have, an interest for the purpose of the SFO.
- Yilong Investment is wholly-owned by Mr. Shen MH. By virtue of the SFO, Mr. Shen MH is deemed to be interested in all of the Shares held by Yilong Investment.
- 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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, 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.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

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

COMPETING INTERESTS

The Directors confirm that none of the Directors or any of their respective close associates, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor has any other conflict of interest with the Group during the Period.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE CODE

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

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51 B(1) of the Listing Rules, changes in Directors' information since the disclosure made in the Company's annual report for the year ended 31 December 2022 is set out as follows:

Mr. XIE Xing, an independent non-executive Director of the Company, has been appointed as the Responsible Officer of Zeta Capital (H.K.) Limited with effect from 9 March 2023.

EVENTS AFTER THE REPORTING PERIOD

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

OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

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

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

This report is available for viewing on the Company’s website at www.jiachencn.com.cn and the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk.