China Jicheng Holdings Limited
中國集成控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1027)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT

– Revenue decreased by approximately 3.2% to approximately RMB521 million (2017: approximately RMB538 million)

– Gross profit decreased by approximately 1.9% to approximately RMB79 million (2017: approximately RMB81 million)

– Profit for the year increased by approximately 429.7% to approximately RMB19 million (2017: approximately RMB4 million)

– Basic earnings per share increased by approximately 455.6% to approximately RMB0.5 cents (2017: approximately RMB0.09 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018

The board (the "Board") of directors (the "Directors") of China Jicheng Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**521,186**	538,264
Cost of sales		**(441,793)**	(457,326)
Gross profit		**79,393**	80,938
Other income and gains	4	**14,117**	4,889
Impairment allowance of financial assets	4	**(651)**	–
Selling and distribution expenses		**(11,430)**	(12,833)
Administrative expenses		**(45,658)**	(56,835)
Finance costs	6	**(10,511)**	(9,454)
Profit before taxation		**25,260**	6,705
Income tax expense	7	**(6,560)**	(3,175)
Profit for the year	8	**18,700**	3,530
Other comprehensive income for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		**2**	457
Total comprehensive income for the year		**18,702**	3,987
Profit for the year attributable to:			
Owner of the Company		**18,700**	3,530
Total comprehensive income for the year attributable to:			
Owner of the Company		**18,702**	3,987
Earnings per share:	9		
Basic *(RMB)*		**0.5 cents**	0.09 cents
Diluted *(RMB)*		**0.5 cents**	0.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**98,432**	103,552
Prepaid lease payments		**34,467**	35,403
		132,899	138,955
Current assets			
Inventories		**161,098**	204,832
Trade receivables	*11*	**234,075**	154,350
Prepayments and other receivables		**97,616**	59,028
Prepaid lease payments		**936**	936
Tax recoverable		**–**	1,630
Promissory note receivables		**–**	31,616
Pledged deposits		**7,450**	23,101
Bank balances and cash		**67,352**	66,753
		568,527	542,246
Current liabilities			
Trade and bills payables	*12*	**35,204**	68,549
Accrued expenses and other payables		**6,886**	8,586
Bank borrowings	*13*	**196,930**	163,480
Tax payable		**1,202**	–
		240,222	240,615
Net current assets		**328,305**	301,631
Net assets		**461,204**	440,586
Capital and reserves attributable to owner of the Company			
Share capital		**4,782**	4,731
Reserves		**456,422**	435,855
Total equity		**461,204**	440,586

NOTES:

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 12 June 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of the registered office is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business of the Company in Hong Kong is Room 904, Loon Kee Building, 275 Des Voeux Road Central, Hong Kong. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas.

The functional currency of the Company is Hong Kong dollars. The consolidated financial statements are presented in Renminbi ("RMB") since most of the subsidiaries are operating in RMB environment and the functional currency of most of the subsidiaries is RMB.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial instruments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration
Annual improvements 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and revised standards has had no material impact on the consolidated financial statements.

Application of HKFRS 9

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances and business models that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity as of January 2018.

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- amortised cost;
- fair value through other comprehensive income ("FVTOCI"); and
- fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in HKAS 39 which included held to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Group did not designate or de-designate any financial asset at FVTPL at 1 January 2018.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	**New classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Remeasurement**	**Carrying amount under HKFRS 9**
			RMB'000	*RMB'000*	*RMB'000*
Promissory note receivable	Loan and receivables	Amortised cost	**31,616**	**–**	**31,616**
Trade receivables	Loan and receivables	Amortised cost	**154,350**	**(986)**	**153,364**

Notes:

The amount represented additional impairment loss based on the new expected loss model under HKFRS 9.

(ii) Impairment

HKFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected credit loss model" to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, account receivables and loans receivables);

- contract assets as defined in HKFRS 15; and

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	RMB'000
Additional loss allowance as a result of the application of "expected credit loss model" under HKFRS 9	
– Trade receivables	986
Loss allowance recognised as at 1 January 2018	986

(iii) Effect on the Group's retained earnings as of 1 January 2018

The following table shows the impact of the application of HKFRS 9 on the Group's retained earnings and other equity components as of 1 January 2018:

	Decrease in the Group's retained profit *RMB'000*
Recognition of additional expected credit loss recognised	
– Trade receivables	986

Application of HKFRS 15

HKFRS 15 has replaced HKAS 11 Construction Contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not impact the Group's revenue recognition. Accordingly, HKFRS 15 had no impact on amounts and/or disclosures reported in the consolidated financial statements.

Application of HK (IFRIC) 22

HK (IFRIC) 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The application of HK (IFRIC) 22 has not had any material impact on the consolidated financial position and the consolidated financial result any material impact on application of HK (IFRIC) 22.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND OTHER INCOME AND GAINS/IMPAIRMENT OF FINANCIAL ASSETS

Revenue represents the amounts received and receivable for goods sold and service provided in the normal course of business, net of discounts, sales returns and sales related taxes. Analysis of the Group's revenue for the year is as follows:

		2018 *RMB'000*	2017 *RMB'000*
(i)	**Revenue**		
	Sale of goods	**521,186**	538,264
(ii)	**Other income and gains**		
	Bank interest income	**592**	491
	Government grants *(Note a)*	**1,224**	851
	Exchange gain, net	**8,887**	–
	Imputed interest on promissory notes receivables	**3,131**	2,908
	Others *(Note b)*	**283**	639
		14,117	4,889
(iii)	**Impairment allowance of financial assets**		
	Impairment allowance of trade receivables	**(651)**	–

Notes:

(a) During the year, government grants of approximately RMB1,224,000 (2017: RMB851,000) were received, where the Group had fulfilled the relevant criteria, in respect of certain research and development projects. The amounts were therefore immediately recognised as other income.

(b) The amount represents compensation received from insurance company and sales of obsolete inventories during the year.

5. SEGMENT INFORMATION

The Group is engaged in a single operating segment, the manufacture and sales of umbrellas. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance. No segment assets, liabilities and other segment information in the measure of Group's segment result and segment assets are presented as the information is not reported to the CODM for the purposes of resource allocation and performance assessment.

Product Information

The Group has been engaged in manufacturing and sales of POE umbrella, nylon umbrella and umbrella parts. An analysis of the Group's revenue by product category is as follows:

	2018	2017
	RMB'000	*RMB'000*
POE umbrella	**177,148**	275,679
Nylon umbrella	**184,676**	171,097
Umbrella parts	**159,362**	91,488
	521,186	538,264

Geographical Information

The Group's operations are located in the PRC, accordingly, no geographical information about the Group's assets and liabilities has been presented. The Group's customers are mainly located in Japan and the PRC. An analysis of the Group's revenue from external customers presented by geographical location is detailed below:

Revenue from external customers	**2018**	2017
	RMB'000	*RMB'000*
Japan	**259,965**	337,436
PRC	**133,796**	110,787
Other	**127,425**	90,041
	521,186	538,264

Information about Major Customers

Details of the customers individually representing 10% or more of the Group's revenue are as follows:

	2018	2017
	RMB'000	*RMB'000*
Customer A*	**–**	70,761
Customer B*	**–**	80,419
Customer C	**130,690**	128,589
Customer D*	**–**	63,536
Customer E*	**127,425**	–
Customer F*	**70,354**	–

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on:		
– bank borrowings wholly repayable within five years	**10,511**	9,454

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**7,426**	3,870
Over-provision in respect of prior year	**(866)**	(695)
	6,560	3,175

i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

ii) No provision for Hong Kong profits tax has been made for subsidiary established in Hong Kong as this subsidiary did not have any assessable profits subject to Hong Kong profits tax during the years ended 31 December 2018 and 2017.

iii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the years ended 31 December 2018 and 2017.

iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**25,260**	6,705
Tax at domestic income tax rate of 25%	**6,315**	1,676
PRC dividend withholding tax	**–**	335
Tax effect of non deductible expenses	**2,329**	2,586
Tax effect of non-taxable income	**(1,218)**	(727)
Over-provision in respect of prior year	**(866)**	(695)
Income tax expense for the year	**6,560**	3,175

8. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	**64,376**	79,934
Retirement benefit scheme contributions (excluding directors)	**14,541**	16,186
Equity-settled share-based payment	**–**	3,986
Total staff costs	**78,917**	100,106
Cost of inventories recognised as an expense	**441,792**	457,326
Loss on disposal of property, plant and equipment	**35**	203
Depreciation of property, plant and equipment	**6,172**	6,671
Amortisation of prepaid lease payments	**936**	936
Research and development expenses *(Note)*	**16,997**	10,714
Net foreign exchange loss	**–**	8,088
Auditor's remuneration	**606**	588
Equity-settled share-based payment		
Employees other than Directors	**–**	3,986
Consultants	**–**	1,630
Total equity-settled share-based payment	**–**	5,616

Note:

During the year ended 31 December 2018, included in the research and development expenses was approximately RMB1,625,000 (2017: approximately RMB1,558,000) related to staff cost.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to the owner of the Company for the purpose of basic and diluted earnings per share	**18,700**	3,530
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,784,421**	3,750,000
Effect of dilutive potential ordinary shares:		
– Share options	**213**	58,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,784,634**	3,808,192

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

11. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**234,075**	154,350

The Group generally allows a credit period of 30 – 150 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**129,711**	103,116
91 to 180 days	**78,617**	51,234
Over 180 days	**25,747**	–
	234,075	154,350

At 31 December 2018, the aged analysis of trade receivables that was past due (i.e. over the credit period) but not impaired are as follows:

	2018	2017
	RMB'000	*RMB'000*
Over the credit period		
1 to 90 days	**104,364**	51,234

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired, the directors of the Company consider that no provision for impairment is necessary in respect of these balances.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	2018	2017
	'000	*'000*
USD	**22,002**	16,998
JPY	**612,643**	492,638

12. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**2,339**	11,169
Bills payables	**32,865**	57,380
	35,204	68,549

An aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**18,564**	33,485
91 to 180 days	**14,910**	33,824
181 to 365 days	**1,730**	1,240
	35,204	68,549

The credit period on purchase of goods ranged from 30 days to 120 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

13. BANK BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured, repayable within one year from the end of the reporting period	**196,930**	163,480

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings	
	2018	2017
	RMB'000	*RMB'000*
As of 1 January	**163,480**	172,451
Repayment of bank loans	**(190,130)**	(172,611)
New bank loans	**223,580**	163,640
As of 31 December	**196,930**	163,480

Notes:

i) As at 31 December 2018, all bank borrowings carried fixed rates of interest from 4.31% to 5.65% per annum (2017: 4.62% to 5.75% per annum) and were due within 1 year.

ii) The Group's bank borrowings at the end of each reporting period were secured by the followings:

	2018	2017
	RMB'000	*RMB'000*
Leasehold land and building	**93,834**	96,814
Bank deposits	**7,450**	23,101
Total	**101,284**	119,915

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft. The Group manufactures products at the production site located in Dongshi Town and Yonghe Town of Jinjiang City in Fujian Province of the PRC.

The Group principally sell POE umbrellas, nylon umbrellas and umbrella parts on export basis to the Group's overseas customers which accounted for approximately 74% of the Group's total revenue for the year ended 31 December 2018. The Group exported its POE umbrellas, nylon umbrellas and umbrella parts to markets such as Japan, Hong Kong, South Korea, Taiwan, Spain and Cambodia. The Group's overseas customers would usually provide the Group with their design and specification. The Group's sales personnel would closely communicate with the Group's customers. Depending on the specific needs of these overseas customers, the Group's sales personnel would put forward the Group's suggestions for modifications to design and specification from its research and development staff to the Group's customers for their consideration. When customers decide on the final design and specification, the Group would make samples and provide to the Group's customers for approval.

For domestic market, the Group sold its POE umbrellas, nylon umbrellas and umbrella parts to the Group's customers in the PRC which accounted for approximately 26% of the Group's total revenue for the year ended 31 December 2018. The Group's domestic customers would usually place orders with the Group from selection of its existing POE umbrellas and nylon umbrellas products which are all designed by its research and development team. The Group also sell some of its POE umbrellas and nylon umbrellas under the Group's Jicheng（集成）brand through sales to our non-trading customers such as supermarkets.

The Group also manufactured umbrella parts as an ancillary products mainly for the Group's existing customers, both overseas and domestic customers, some of which also purchased POE umbrellas and nylon umbrellas from the Group.

The Group's new business strategy is to shift business focus from developing upstream manufacturing to downstream distribution network and brand building so as to facilitate promotion of the Group's branded umbrellas which command higher margins.

To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RMB538 million for the year ended 31 December 2017 to approximately RMB521 million for the year ended 31 December 2018, representing a decrease of approximately 3.2%. The decrease in revenue from the PRC was primarily due to decreased demand for the POE umbrellas compared to the previous year. The decrease in revenue was primarily due to the decrease in sales volume affected by poor market situation in both PRC and export markets.

Cost of sales

The cost of sales decreased from approximately RMB457 million for the year ended 31 December 2017 to approximately RMB442 million for the year ended 31 December 2018, representing a decrease of approximately 3.4%. The decrease was mainly attributable to the corresponding decrease in direct materials costs and direct labour costs to cope with the Group's decrease in revenue for the same period.

Gross profit and gross margin

As a result of the foregoing, the gross profit decreased by approximately RMB2 million, or 1.9%, from approximately RMB81 million for the year ended 31 December 2017 to approximately RMB79 million for the year ended 31 December 2018. The gross profit margin increased from approximately 15.0% for the year ended 31 December 2017 to approximately 15.2% for the year ended 31 December 2018.

Other income and gains

The other income and gains increased by approximately RMB9 million, or 188.8%, from approximately RMB5 million for the year ended 31 December 2017 to approximately RMB14 million for the year ended 31 December 2018. The increase was mainly due to the effect of net exchange gain of approximately 9 million recorded during the year ended 31 December 2018 resulting from the depreciation of Renminbi against US dollars (2017: Nil).

Selling and distribution expenses

Selling and distribution expenses decreased by at approximately RMB2 million or 10.9% from approximately RMB13 million for the year ended 31 December 2017 to approximately RMB11 million for the year ended 31 December 2018.

Administrative expenses

Administrative expenses decreased by approximately RMB11 million, or 19.7%, from approximately RMB57 million for the year ended 31 December 2017 to approximately RMB46 million for the year ended 31 December 2018. The decrease in administrative expenses was mainly due to there were no net exchange loss (2017: approximately RMB8 million) and equity-settled share-based payment (2017: approximately RMB6 million).

Finance costs

Finance costs increased by approximately RMB1 million, or 11.2%, from approximately RMB9 million for the year ended 31 December 2017 to approximately RMB10 million for the year ended 31 December 2018. The increase in finance cost was mainly due to the higher average borrowing level for the period.

Income tax expenses

Income tax expense increased by approximately RMB3 million, or 106.6%, from approximately RMB3 million for the year ended 31 December 2017 to approximately RMB6 million for the year ended 31 December 2018, which was primarily due to increase in the Group's profit before tax.

The effective tax rate decreased from approximately 47.4% for the year ended 31 December 2017 to approximately 26.0% for the year ended 31 December 2018.

Profit for the year

As a result for the foregoing factors, profit for the year increased by approximately RMB15 million, or 429.7%, from approximately RMB4 million for the year ended 31 December 2017 to approximately RMB19 million for the year ended 31 December 2018.

Liquidity and financial resources

As at 31 December 2018, the Group's bank balances and cash including restricted bank deposits of approximately RMB7 million (2017: approximately RMB23 million) amounted to approximately RMB75 million (2017: approximately RMB90 million), and short-term bank borrowings amounted to RMB197 million (2017: approximately RMB163 million). The annual interest rates of loans ranged from 4.31% to 5.65%.

The Group's current ratio increased from approximately 2.3 times as at 31 December 2017 to approximately 2.4 times as at 31 December 2018, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2018, the gearing ratio was approximately 50% (2017: approximately 50%), which was calculated based on the interest-bearing liabilities as a percentage of the total equity.

Inventories

As at 31 December 2018, the inventories was approximately RMB161 million (2017: approximately RMB205 million). The inventory turnover days were decreased from approximately 154 days in 2017 to approximately 151 days in 2018, which was calculated based on the average of the beginning and ending balance of inventories for the year divided by cost of sales for the year, and multiplied by 365 days. This was mainly due to decrease in purchasing activities towards the end of the reporting period.

Trade receivables

As at 31 December 2018, the trade receivables were approximately RMB234 million (2017: approximately RMB154 million). The Group generally allows an average credit period of 30 to 150 days to its trade customers. The average trade receivables turnover day was increased from approximately 88 days in 2017 to approximately 136 days in 2018, which was calculated based on the average of the beginning and ending trade receivable balances for the year divided by revenue for the year and multiplied by 365 days. This was mainly due to we have extended credit period for those long term business relationships and good settlement history customers suffering intense market competitions.

Trade and bills payables

As at 31 December 2018, the trade and bills payables were approximately RMB35 million (2017: approximately RMB69 million). The Group's suppliers typically grant us a credit terms ranging from 30 days to 120 days. The average trade and bills payables turnover days were decreased from approximately 67 days in 2017 to approximately 43 days in 2018, which was calculated based on the average of the beginning and ending of trade and bills payable balance of the year divided by cost of sales of the year and multiplied by 365 days. This is mainly due to a decrease in purchase of raw materials at the end of 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to numerous risks and uncertainties. The following is a summary of some of the principal risks and uncertainties affecting the Group's business:

– The Group's business, financial condition and results of operations may be affected by the loss of key customers.

  It is important for the Group to maintain close and mutually beneficial relationships with the Group's key overseas and domestic customers. The Group's revenue is also subject to the Group's customers' business, product quality, sales strategy, industry conditions and the overall economic market environments. Any significant reduction of sales to or loss of any of the Group's key customers could materially and adversely affect our business, financial condition and results of operations.

– The Group may be subject to certain risks, such as political and economic instability and fluctuations in currency rates of foreign currencies, associated with selling our umbrella products to Japan, the PRC and other overseas customers.

  Any change in market demand levels for the Group's umbrella products in Japan, the PRC and in the Group's other export destinations may have a significant effect on the Group's business, financial condition and results of operations. In particular, the Group is affected by changes in the economic condition of Japan, a major destination of our products, and the PRC.

  As the Group's sales are primarily made in US dollar, RMB and Japanese Yen whereas the Group's purchases of materials and payment of wages and salaries to the PRC workers are in RMB and US dollar, the Group is exposed to exchange rate risk. In addition, the Group is exposed to the risks associated with the currency conversion and exchange rate system in the PRC.

– Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability.

  The prices of most of the Group's raw materials generally follow the price trends of, and vary with, market conditions. Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on their respective market prices from time to time.

– The Group may experience a shortage of labour or our labour costs may continue to increase.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material capital commitment (2017: Nil). As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group's leasehold land and buildings with a carrying amounts of approximately RMB94 million (2017: approximately RMB97 million) and bank deposits with a carrying amounts of approximately RMB7 million (2017: approximately RMB23 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 1,592 employees (2017: 1,822 employees). The emolument policy of the employees of the Group was set up by the Board based on their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK$134.2 million (equivalent to approximately RMB106.0 million) after deducting underwriting commissions and all related expenses. As disclosed in the announcement of the Company published on 30 December 2016, the Board has resolved to reallocate the unutilised amount of approximately RMB61.4 million to the following two areas:

1) approximately RMB36.9 million out of the unutilised net proceeds for buying new brand-names and/or licensing rights of umbrella products from Southeast Asian countries to increase its market shares in those countries as well as investing in a trading company comprising umbrella and other products.

2) to increase the allocation for approximately RMB24.5 million for brand awareness promotions and advertising expenses both in domestic and overseas markets.

The Board is of the view that such re-allocation of unutilised net proceeds is in line with the Group's new business strategy to shift business focus from developing upstream manufacturing to downstream distribution network and brand building to facilitate promotion of the Group's branded umbrellas which command higher margins.

As at 31 December 2018, the net proceeds had been utilised as follows:

Use of Net Proceeds	**Revised allocation** *RMB (million)*	**Utilised amount up to 31 December 2018** *RMB (million)* (Approximately)	**Unutilised amount up to 31 December 2018** *RMB (million)*
Increasing our production capacity by constructing a factory	24.5	24.5	–
Paying the outstanding of the consideration in relation to the construction and completion of the new 10-storey office building	3.1	3.1	–
Strengthen our technical expertise and know-how to ensure continuous improvement of our products	3.7	3.7	–
Additional working capital and other general corporate purposes	10.6	10.6	–
Further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and overseas	27.2	3.8	23.4
Buying new brand-names and investing in a trading company	36.9	–	36.9
Total	106.0	45.7	60.3

FUTURE PROSPECTS

The Group principal objectives are to maintain and strengthen its position as a leading umbrella manufacturer focused in Japan market and its own branded umbrella products in the PRC market, and increase its market share in the existing markets such as Hong Kong, Cambodia and South Korea.

Looking ahead, the Group will shift business focus from developing upstream manufacturing to downstream distribution network and brand building so as to facilitate promotion of the Group's branded umbrellas which command higher margins and create higher values as well as bringing better return to our shareholders. To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Tso Sze Wai (Chairman of the Audit Committee), Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. The audit committee is primarily responsible for the review and supervision of the financial reporting systems, risk management and internal control systems. It has reviewed the annual results for the year ended 31 December 2018, including the accounting principles and practices adopted by the Company and the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have 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 code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year.

CORPORATE GOVERNANCE

The Company has adopted and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules since the Listing Date with the following deviations:

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same person. Mr. Huang Wenji is currently the Chairman of the Board and the chief executive officer who is primarily responsible for the day-to-day management of the Group's business. The Directors consider that vesting the roles of the Chairman of the Board and chief executive officer in the same person facilitates the execution of the Group's business strategies and decision making, and maximizes the effectiveness of the Group's operation. The Directors also believe that the presence of three independent non-executive Directors provides added independence to our Board. The Directors will review the structure from time to time and consider an adjustment should it become appropriate.

Code provision A.6.7 stipulates that independent non-executive directors should attend general meeting of the Company. Mr. Tso Sze Wai, Mr. Yang Xuetai and Ms. Lee Kit Ying, Winnie, being the independent non-executive Directors, did not attend the Company's annual general meeting held on 31 May 2018 due to their other business engagements.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures above in the preliminary announcement of the Group's result for the year ended 31 December 2018 have been agreed with the Company's auditor, Elite Partners CPA Limited ("Elite Partners"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The independent non-executive Directors have also reviewed the confirmation given by Mr. Huang Wenji and Jicheng Investment Limited, being controlling shareholders of the Company, to ensure their compliance with the non-competition undertakings as disclosed in the prospectus of the Company dated 3 February 2015.

CLOSURE OF REGISTER OF MEMBERS

The Company will make a separate announcement to confirm the date for the closure of register of members of the Company in respect of shareholders' entitlement to attend the forthcoming annual general meeting of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of annual general meeting will be published and dispatched to the shareholders of the Company in due course.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.china-jicheng.cn). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all the colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all the shareholders, customers, bankers and other business associates for their trust and support.

By order of the Board of
China Jicheng Holdings Limited
Huang Wenji
Chairman

Fujian Province, The PRC, 29 March 2019

As at the date of this announcement, the executive Directors are Huang Wenji, Yang Guang, Lin Zhenshuang and Chung Kin Hung, Kenneth; and the independent non-executive Directors are Tso Sze Wai, Lee Kit Ying, Winnie and Yang Xuetai.