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**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 UNAUDITED CONDENSED CONSOLIDATED  
INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 24% to RMB320 million.
- Gross profit increased by approximately 4% to RMB42 million.
- Profit for the Period attributable to owners of the Company was approximately RMB3 million.
- Earnings per share attributable to owners of the Company was approximately RMB0.08 cents.
- The Board does not recommend the payment of any interim dividend for the Period.

The board (the “**Board**”) of directors (the “**Directors**”) of China Jicheng Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”) as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2019*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2019</b>	2018
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	3	<b>319,735</b>	258,770
Cost of sales		<b>(278,012)</b>	(218,523)
Gross profit		<b>41,723</b>	40,247
Other income and other gains		<b>1,372</b>	5,983
Selling and distribution expenses		<b>(5,663)</b>	(6,682)
Administrative expenses		<b>(24,702)</b>	(23,847)
Finance costs		<b>(5,513)</b>	(4,907)
Profit before taxation		<b>7,217</b>	10,794
Income tax expense	5	<b>(4,193)</b>	(2,680)
Profit for the Period	6	<b>3,024</b>	8,114
Other comprehensive income for the Period that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas entities		<b>611</b>	52
Total comprehensive income for the period		<b>3,635</b>	8,166
Profit for the Period attributable to owners of the Company		<b>3,024</b>	8,114
Total comprehensive income for the Period attributable to owners of the Company		<b>3,635</b>	8,166
Earnings per share:	7		
Basic (RMB)		<b>0.08 cents</b>	0.21 cents
Diluted (RMB)		<b>0.08 cents</b>	0.21 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	95,552	98,432
Prepaid lease payments		–	34,467
Intangible asset		1,961	–
Right-of-use assets		34,930	–
Goodwill		5,565	–
		<b>138,008</b>	132,899
Current assets			
Inventories		182,712	161,098
Trade receivables	10	233,437	234,075
Contingent consideration receivable		16,522	–
Prepayments and other receivables		87,129	97,616
Prepaid lease payments		–	936
Pledged deposits		6,757	7,450
Bank balances and cash		76,317	67,352
		<b>602,874</b>	568,527
Current liabilities			
Trade and bills payables	11	32,810	35,204
Accrued expenses and other payables		13,364	6,886
Promissory notes		22,963	–
Deferred tax liabilities		490	–
Bank borrowings		195,350	196,930
Tax payable		4,381	1,202
		<b>269,358</b>	240,222
Net current assets		<b>333,516</b>	328,305
Net assets		<b>471,524</b>	461,204
Capital and reserves attributable to owner of the Company			
Share capital	12	4,782	4,782
Reserves		466,742	456,422
Total equity		<b>471,524</b>	461,204

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 shares of the Company have been listed on the main board (the “**Main Board**”) of the Stock Exchange with effect from 13 February 2015 (the “**Listing Date**”).

The Company is engaged in investment holding while the principal subsidiaries are principally engaged in manufacturing and sale of umbrella.

The functional currency of the Company and the subsidiaries established in the People’s republic of China (the “**PRC**”) are Renminbi (“**RMB**”). The condensed consolidated financial statements are presented in RMB, which is the same as the functional currency of the company.

### 2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

### 2.2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those set out in the Group’s annual financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 16	Leases
HKFRIC 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”) and related interpretations.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets of RMB35,403,000 at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>RMB'000</i>	Reclassifications <i>RMB'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Prepaid lease prepayment ( <i>Note</i> )	34,467	(34,467)	–
Right-of-use assets	–	35,403	35,403
<b>Current assets</b>			
Prepaid lease prepayment	936	(936)	–

*Note:*

Upfront payments for leasehold lands in the PRC were classified as prepaid lease prepayment as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB936,000 and RMB35,403,000 respectively were reclassified to right-of-use assets.

### 3. REVENUE

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 Period is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	319,735	258,770

#### 4. SEGMENT INFORMATION

The Group is engaged in a single operating segment, the manufacturing and sale of umbrella. 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 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’s main products are POE umbrella, nylon umbrella and umbrella parts. An analysis of the Group’s revenue by product category is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
POE umbrella	49,527	85,830
Nylon umbrella	184,287	106,652
Umbrella parts	85,921	66,288
	<u>319,735</u>	<u>258,770</u>

##### Geographical information

The Group’s operations are located in the PRC. The Group’s customers are mainly located in Japan, Cambodia and the PRC. An analysis of the Group’s revenue from external customers presented by geographical location is detailed below:

##### Revenue from external customers

	Six months ended 30 June	
	2019	2018
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Japan	89,126	106,402
PRC	52,058	80,947
Cambodia	96,902	29,397
Other	81,649	42,024
	<u>319,735</u>	<u>258,770</u>

The country of domicile of the Group’s operation is PRC. Consequently, the Group’s major non-current assets are all located in the PRC.

## Information about major customers

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

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Customer A	57,506	34,888
Customer B	51,378	55,992
Customer C*	39,396	N/A
Customer D*	N/A	34,888

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

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Current income tax		
– PRC enterprise income tax	4,193	2,676
Under provision in respect of prior year	–	4
	<u>4,193</u>	<u>2,680</u>

- 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 six months ended 30 June 2019 and 2018.
- 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 six months ended 30 June 2019 and 2018.
- iv) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2018 will be exempted from withholding tax when they are distributed in future.

## 6. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the Period has been arrived at after charging/(crediting):		
Salaries and allowances (including directors' emoluments)	<b>35,162</b>	34,498
Retirement benefit scheme contributions (including directors' emoluments)	<b>6,081</b>	6,515
Share-based payment expenses	<b>6,683</b>	–
	<hr/>	<hr/>
Total staff costs ( <i>Note</i> )	<b>47,926</b>	41,013
	<hr/>	<hr/>
Cost of inventories recognised as an expense	<b>278,012</b>	218,523
Loss on disposal of property, plant and equipment	–	21
Depreciation of property, plant and equipment	<b>3,005</b>	3,109
Amortisation of prepaid lease payments	–	468
Depreciation of right-of-use assets	<b>473</b>	–
Research and development expenses ( <i>Note</i> )	<b>4,253</b>	10,274
Exchange gains	<b>(789)</b>	(3,059)
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*Note:* During the Period, included in staff costs were staff costs of the Group's employees who engaged in research and development activities of approximately RMB674,000 (First half of 2018: RMB797,000).

## 7. EARNINGS PER SHARE

For the six months ended 30 June 2019 and 2018, the computation of diluted earnings per share for the Period does not assume the exercise of outstanding share options of the Company since the exercise price was higher than the average market price of the share options during the six months ended 30 June 2019.

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit for the Period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>3,024</b>	8,114
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	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share:		
Basic	<b>3,786,000</b>	3,782,818
Diluted	<b>3,786,000</b>	3,782,818
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## 8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of interim dividend (2018: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the six months ended 30 June 2019, additions to property, plant and equipment amounted to approximately RMB123,000 (2018: approximately RMB465,000) and disposal of property, plant and equipment with net book value was approximately RMB19,000 (2018: approximately RMB30,000).

## 10. TRADE RECEIVABLES

The Group generally allows a credit period of 30-150 days to its trade customers.

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.

	<b>At 30 June 2019 RMB'000 (Unaudited)</b>	At 31 December 2018 RMB'000 (Audited)
0 to 90 days	191,346	129,711
91 to 180 days	33,492	78,617
Over 180 days	8,599	25,747
	<u>233,437</u>	<u>234,075</u>

## 11. TRADE AND BILLS PAYABLES

	<b>At 30 June 2019 RMB'000 (Unaudited)</b>	At 31 December 2018 RMB'000 (Audited)
Trade payables	3,314	2,339
Bills payables	29,496	32,865
	<u>32,810</u>	<u>35,204</u>

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

	<b>At 30 June 2019 RMB'000 (Unaudited)</b>	At 31 December 2018 RMB'000 (Audited)
0 to 90 days	<b>10,696</b>	18,564
91 to 180 days	<b>22,066</b>	14,910
181 to 365 days	<b>48</b>	1,730
	<u><b>32,810</b></u>	<u>35,204</u>

The credit period on purchase of goods ranged from 30 days to 120 days.

## 12. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value of ordinary shares</b>	
		<i>HK\$'000</i>	<i>RMB'000</i>
Authorised:			
At 1 January 2018, 31 December 2018 and 30 June 2019, ordinary shares of HK\$0.0016 each	<u>6,250,000,000</u>	<u>10,000</u>	
Issued and fully paid:			
At 1 January 2018	3,750,000,000	6,000	4,731
Exercise of share options ( <i>Note</i> )	<u>36,000,000</u>	<u>58</u>	<u>51</u>
At 31 December 2018 and 30 June 2019	<u><u>3,786,000,000</u></u>	<u><u>6,058</u></u>	<u><u>4,782</u></u>

*Notes:*

During the year ended 31 December 2018, 36,000,000 shares were issued at HK\$0.097 per share as a result of the exercise of share options of the Company.

All shares issued during the Period rank pari passu with existing shares in all respects.

## 13. SHARE OPTION

On 10 April 2019, 375,000,000 share options were granted to the Company's employees at a consideration of HK\$1 per each grantee under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are exercisable since the date of grant and the exercise period will expire within ten years from the date of acceptance (i.e. 10 April 2019). The exercise price is HK\$0.045. No share options were exercised during the six months ended 30 June 2019.

Details of the movements in the number of share options under the Share Options Scheme during the Period were as follows:

	Date of grant	Exercised price	Exercised period	Outstanding at 1 January 2019 '000	Granted during the Period '000	Lapse/ forfeited during the period '000	Outstanding at 30 June 2019 '000
Employees	10 April 2019	0.045	10 April 2019 to 10 April 2029	-	375,000	-	375,000

The fair value per share option granted during the year 2019 estimated at the date of grant using the Binomial Options pricing model was HK\$0.0206. The assumptions used are as follows:

Fair value at measurement date	HK\$0.0206
Share price	HK\$0.044
Exercise price	HK\$0.045
Expected volatility	74%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	1.552%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield was estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate. There were no market conditions associated with the share option grants.

#### 14. ACQUISITION OF SUBSIDIARY

On 23 May 2019, the Group completed the acquisition of 100% equity interest in 晉江競靈貿易有限公司 (“**Jinjiang Jingting**”) from an independent third party, which was satisfied by way of RMB5,000,000 in cash and issuance of promissory note with principal amount of RMB24,000,000.

The fair values of the identifiable assets and liabilities of Jinjiang Jingting at date of acquisition are as follows:

	<b>Recognised on acquisition RMB'000</b>
Property, plant and equipment	20
Intangible asset	1,961
Cash and bank balance	930
Trade receivables	12,221
Other receivables	1,661
Tax recoverable	341
Trade payables	(5,301)
Accruals and other payables	(5,467)
Deferred tax liabilities	(490)
	<hr/>
Total identifiable net assets at fair value	5,876
Goodwill	5,565
	<hr/>
	11,441
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Consideration was satisfied by the fair value of:	
Cash paid	5,000
Promissory note ( <i>note b</i> )	22,963
Contingent consideration receivables	(16,522)
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	11,441
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Jinjiang Jingting is principally engaged in the wholesale, retail and export of umbrellas and umbrella parts. This acquisition of subsidiaries has been accounted for as acquisition of business according to HKFRS 3.

*Notes:*

(a) At the date of acquisition, goodwill of RMB5,565,000 was determined based on the fair value of the identifiable assets and liabilities of Jinjiang Jingting. Goodwill arose on the acquisition because the acquisition included the benefit of future profitability as at the date of acquisition.

(b) Contingent consideration

Contingent consideration payables arising from business combination are initially and subsequently measured at fair value, with changes in fair value in subsequent accounting period being recognised in profit or loss.

According to the sale and purchase agreement of the acquisition of Jinjiang Jingting, there was a profit guarantee pursuant to which the vendor guarantees to the Group that the net profit after tax of Jinjiang Jingting for the three years ended 31 December 2019, 2020 and 2021 is not less than RMB3,000,000 (“**Guaranteed Profit**”). If the event that Guaranteed Profit have not been met, compensation shall be settled by the vendor to the Group by cash.

(c) Since the acquisition, Jinjiang Jingting contributed approximately RMB7,491,000 to the Group’s revenue and a profit of approximately RMB275,000 to the Group’s consolidated results for the period ended 30 June 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the Period (2018: Nil).

### **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 to its customers. The Group is one of the largest exporters of umbrellas and parasols in the PRC in terms of export volume. With respect to the market of plastic umbrellas, the Group is one of the largest manufacturers of plastic umbrellas in the PRC in terms of sales volume. The Group is also one of the largest suppliers of plastic umbrellas in Japan. The Group is one of the largest umbrellas and parasols manufacturers in China in terms of sales volume. The Group sells to domestic market and exports POE umbrellas, nylon umbrellas and umbrella parts to markets such as Japan, Hong Kong, South Korea, Taiwan, Spain and Cambodia etc. The Group manufactures products at Dongshi Town and Yonghe Town of Jinjiang City in Fujian Province. To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

### **Financial Review**

#### ***Results***

During the Period, the Group's revenue increased to approximately RMB320 million, representing an increase of approximately 23.6% in comparison to that of 2018, and the profit attributable to owners of the Company of approximately RMB3 million for the Period, representing a decrease of approximately 62.7% in comparison for that of 2018. The Company's basic earnings per share was RMB0.08 cents.

#### ***Revenue***

The revenue increased from approximately RMB259 million for the first half of 2018 to RMB320 million for the Period, representing an increase of approximately 23.6%. The increase in revenue was primarily due to the increased demand for the nylon umbrellas and umbrella parts compared to the previous period.

#### ***Cost of Sales***

The cost of sales increased from approximately RMB219 million for the first half of 2018 to RMB278 million for the Period, representing an increase of approximately 27.2%. The increase was mainly attributable to the increase in direct materials costs and direct labour costs to correspond with the Group's increase in the revenue for the same period.

### ***Gross Profit and Gross Margin***

As a result of the foregoing, the gross profit increased by approximately RMB2 million, or 3.7%, from approximately RMB40 million for the first half of 2018 to RMB42 million for the same period in 2019. The Group's gross profit margin decreased from approximately 15.6% for the first half of 2018 to 13.0% for the Period.

### ***Other Income and Other Gains***

The other income and other gains decreased by approximately RMB5 million, or 77.1%, from approximately RMB6 million for the first half of 2018 to RMB1 million for the Period. The decrease was mainly due to the decrease of net exchange gain.

### ***Selling and Distribution Expenses***

The selling and distribution expenses decreased by approximately RMB1 million, or 15.2%, from approximately RMB7 million for the first half of 2018 to RMB6 million for the Period. The decrease was mainly due to tight control over promotion expenses.

### ***Administrative Expenses***

Administrative expenses increased by approximately RMB1 million, or 3.6%, from approximately RMB24 million for the first half of 2018 to RMB25 million for the Period. The increase in administrative expenses was mainly due to the equity-settled share-based payment of approximately RMB7 million for the share options granted by the Company to employees of the Group during the six months ended 30 June 2019.

### ***Income Tax Expenses***

Income tax expense increased by approximately RMB1.5 million, or 56.5%, from approximately RMB2.7 million for the first half of 2018 to RMB4.2 million for the Period.

## ***Liquidity and Financial Resources***

At 30 June 2019, the Group's bank and cash balances (including restricted bank deposits of approximately RMB7 million (31 December 2018: RMB7 million)) amounted to approximately RMB83 million (31 December 2018: RMB75 million). The Group's short-term bank borrowings amounted to RMB195 million (31 December 2018: RMB197 million). The annual interest rates of loans ranged from 4.31% to 5.65%.

At 30 June 2019, the Group's current ratio was approximately 2.2 times (31 December 2018: 2.4 times), which was calculated based on the total current assets divided by the total current liabilities.

At 30 June 2019, the Group's gearing ratio was approximately 48% (31 December 2018: 50%), which was calculated based on the interest-bearing liabilities as a percentage of the total equity.

## ***Inventories***

The inventory turnover days were decreased from approximately 151 days for the year ended 31 December 2018 to approximately 113 days for the Period.

## ***Trade Receivables***

The average trade receivables turnover day was decreased from approximately 136 days for the year ended 31 December 2018 to approximately 133 days for the Period. This was mainly due to certain of our customers utilised our credit terms granted. This is in line with the credit terms of 30 days to 150 days granted by the Group to its customers.

## **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***

At 30 June 2019, the Group did not have any significant capital commitments (31 December 2018: Nil).  
At 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

### ***Pledge of Assets***

At 30 June 2019, the Group's leasehold land and buildings with a carrying amounts of approximately RMB92 million (31 December 2018: RMB94 million) and bank deposits with a carrying amounts of approximately RMB7 million (31 December 2018: RMB7 million) were pledged to banks for bank borrowings.

### ***Employees and Remuneration Policy***

At 30 June 2019, the Group employed a total of 1,647 employees (31 December 2018: 1,592 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 at 30 June 2019, the net proceeds had been utilised as follows:

<b>Use of Net Proceeds</b>	<b>Revised allocation <i>RMB (million)</i> (Approximately)</b>	<b>Utilised amount up to 30 June 2019 <i>RMB (million)</i></b>	<b>Unutilised amount up to 30 June 2019 <i>RMB (million)</i></b>
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 ( <i>Note</i> )	27.2	3.8	23.4
Buying new brand-names and investing in a trading company ( <i>Note</i> )	36.9	5.0	31.9
<b>Total</b>	<b>106.0</b>	<b>50.7</b>	<b>55.3</b>

*Note:*

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.

## **FUTURE PROSPECTS**

The Group's principal objectives are to maintain and strengthen its position as a leading umbrella manufacturer focused in the 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.

Global economic performance was still sluggish and the operating environment remained challenging, the threat of a trade war between the PRC and the United States severely affected consumer confidence and economic performance. In light of uncertainty about the trade war between the PRC and the United States, the Group will further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, promoting business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to shareholders. To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standard of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises four executive Directors and three independent non-executive Directors. 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 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 2019 due to their other business engagements.

## **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. As the shares of the Company were not listed on the Main Board of the Stock Exchange until the Listing Date, the Model Code was only applicable to the Company starting from the Listing Date. 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 since the Listing Date.

## **AUDIT COMMITTEE**

The Audit Committee was established on 23 January 2015. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Mr. Tso Sze Wai was appointed as the chairman of the Audit Committee. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the Period.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was established on 23 January 2015. The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Ms. Lee Kit Ying, Winnie is the chairperson of the Remuneration Committee.

## **NOMINATION COMMITTEE**

The Nomination Committee was established on 23 January 2015. It comprises three independent non-executive Directors, namely, Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Mr. Yang Xuetai is the Chairman of the Nomination Committee.

## **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, 30 August 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.*