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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHT

– Revenue increased by approximately 7.3% to approximately RMB559 million (2018: approximately RMB521 million)

– Gross profit decreased by approximately 16.5% to approximately RMB66 million (2018: approximately RMB79 million)

– Loss for the year of approximately RMB16 million (2018: profit for the year of approximately RMB19 million)

– Basic loss per share of approximately RMB0.43 cents (2018: basic earnings per share of approximately RMB0.49 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019

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 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	4	**558,599**	521,186
Cost of sales		**(492,738)**	(441,793)
Gross profit		**65,861**	79,393
Other income and gains	4	**10,041**	14,117
Impairment loss recognised in respect of allowance for credit losses, net of reversal		**(113)**	(651)
Loss on fair value change of contingent consideration receivables		**(7,497)**	–
Selling and distribution expenses		**(19,428)**	(11,430)
Administrative expenses		**(49,175)**	(45,658)
Finance costs	6	**(11,130)**	(10,511)
(Loss)/profit before tax		**(11,441)**	25,260
Income tax expense	7	**(4,806)**	(6,560)
(Loss)/profit for the year	8	**(16,247)**	18,700
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**523**	2
Total comprehensive (loss)/income for the year		**(15,724)**	18,702
(Loss)/profit for the year attributable to owners of the Company		**(16,247)**	18,700
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(15,724)**	18,702
(Loss)/earnings per share	9		
Basic *(RMB)*		**(0.43) cents**	0.49 cents
Diluted *(RMB)*		**(0.43) cents**	0.49 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**92,681**	98,432
Right-of-use assets		**34,467**	–
Prepaid lease payments		**–**	34,467
Intangible assets		**1,847**	–
Goodwill		**5,670**	–
Contingent consideration receivables		**4,578**	–
		139,243	132,899
Current assets			
Prepaid lease payments		**–**	936
Inventories		**255,986**	161,098
Trade receivables	*11*	**177,706**	234,075
Prepaid tax		**1,400**	–
Prepayment and other receivables		**66,152**	97,616
Fixed time deposits		**55,478**	57,450
Bank balances and cash		**26,151**	17,352
		582,873	568,527
Current liabilities			
Trade and bills payables	*12*	**31,479**	35,204
Accrued expenses, other payables and contract liabilities		**15,317**	6,886
Bank borrowings	*13*	**202,800**	196,930
Tax payables		**811**	1,202
		250,407	240,222
Net current assets		**332,466**	328,305
Total assets less current liabilities		**471,709**	461,204

	2019	2018
	RMB'000	*RMB'000*
Non-current liabilities		
Promissory notes	**19,147**	–
Deferred tax liabilities	**462**	–
	19,609	–
Net assets	**452,100**	461,204
Capital and reserves		
Share capital	**4,782**	4,782
Reserves	**447,318**	456,422
Total equity	**452,100**	461,204

NOTES:

1. GENERAL

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. Its ultimate holding company is Jicheng Investment Limited a company incorporated in the British Virgin Islands (the "BVI") with limited liabilities and ultimate controlled by Mr. Huang Wenji.

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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 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 other new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial positions and consolidated financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	–
Reclassified from prepaid lease payments *(note)*	35,403
Right-of-use assets as at 1 January 2019	35,403
By class:	
Leasehold land	35,403

Note:

Upfront payments for leasehold land in the People's Republic of China (the "PRC") for own used properties were classified as prepaid lease payments 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 RMB34,467,000 respectively were reclassified to right-of-use assets.

Transition to HKFRS 16 does not have impact on retained profits as at 1 January 2019.

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

	Carrying amounts previously reported as at 31 December 2018	Reclassifications	Carrying amounts under HKFRS 16 as at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	35,403	35,403
Prepaid lease payments	34,467	(34,467)	–
Current assets			
Prepaid lease payments	936	(936)	–

New and revised HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

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

In additional to the above new and revised HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendment, the *Amendment to References to the Conceptual Framework* in HKFRS standards, will be effective for annual periods beginning on or after 1 January 2020.

3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The consolidated financial statements have been prepared on the historical cost basis except for contingent consideration receivables that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

(i) Revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Sales of umbrella and the relevant products	**558,599**	521,186

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**558,599**	521,186

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contract for umbrella and the relevant products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sales of umbrella and the relevant products that had an original expected duration of one year or less.

(ii) Other income and gains

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**1,486**	592
Government grants *(note)*	**2,656**	1,224
Exchange gain, net	**5,889**	8,887
Imputed interest on promissory notes receivables	**–**	3,131
Others	**10**	283
	10,041	14,117

Note:

During the year ended 31 December 2019, government grants of approximately RMB2,656,000 (2018: RMB1,224,000) were received, where the Group had fulfilled the relevant criteria, in respect of certain research and development projects. These were no unfulfilled conditions or contingencies relating to these government grants.

5. SEGMENT INFORMATION

The Group is engaged in a single operating segment, the manufacture and sales of umbrellas and the relevant products. 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. 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:

	2019	2018
	RMB'000	*RMB'000*
POE umbrella	**119,801**	177,148
Nylon umbrella	**178,806**	184,676
Umbrella parts	**259,992**	159,362
	558,599	521,186

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
Japan	**167,572**	213,057
PRC	**91,345**	133,854
Cambodia	**173,760**	156,822
Europe	**29,742**	3,849
Republic of Korea	**39,011**	8,043
Republic of Philippines	**46,769**	–
Other Asian countries	**4,172**	5,480
Others	**6,228**	81
	558,599	521,186

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
Customer A	**101,101**	130,690
Customer B	**94,739**	127,425
Customer C *(note i)*	**79,021**	N/A
Customer D *(note ii)*	**N/A**	70,354

Except disclosed above, no other customers contributed 10% or more to the Group's revenue for both years.

Notes:

(i) Revenue derived from Customer C did not contribute over 10% of revenue of the Group during the year ended 31 December 2018.

(ii) Revenue derived from Customer D did not contribute over 10% of revenue of the Group during the year ended 31 December 2019.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expense on:		
– bank borrowings	**10,499**	10,511
– promissory notes	**631**	–
	11,130	10,511

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
– current tax	**4,836**	7,426
– over-provision in respect of prior years	**–**	(866)
	4,836	6,560
Deferred tax credit	**(30)**	–
	4,806	6,560

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

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Group's income neither arises in, nor is derived from, Hong Kong.

(iii) Under the Law of the PRC on Corporate Income Tax and Implementation Regulation of the Corporate Income Tax Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2019 *RMB'000*	2018 *RMB'000*
Salaries and allowances (excluding directors' emoluments)	**68,427**	64,376
Retirement benefit schemes contributions (excluding directors)	**13,391**	14,541
Equity-settled share-based payment expense	**6,685**	–
Total staff costs	**88,503**	78,917
Cost of inventories sold	**492,738**	441,793
Loss on disposal of property, plant and equipment	**10**	35
Depreciation of property, plant and equipment	**5,954**	6,172
Depreciation of right-of-use assets	**936**	–
Amortisation of intangible assets	**120**	–
Amortisation of prepaid lease payments	**–**	936
Impairment loss recognised in respect of allowance for credit losses, net of reversal	**113**	651
Research and development expenses *(note)*	**9,273**	16,997
Operating lease rental relating to short-term lease and low-value lease upon allocation of HKFRS 16	**28**	–
Operation lease rentals in respect of rented premises	**–**	10
Auditor's remuneration:		
– audit services	**671**	606
– non-audit services	**135**	165
	806	771

Note: During the year ended 31 December 2019, included in the research and development expenses was approximately RMB1,547,000 (2018: RMB1,625,000) related to staff cost.

9. (LOSS)/EARNINGS PER SHARE

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

	2019 *RMB'000*	2018 *RMB'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(16,247)**	18,700

	2019	2018
	’000	*’000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**3,786,000**	3,784,421
Effect of dilutive potential ordinary shares:		
Share options	**–**	213
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**3,786,000**	3,784,634

The basic and diluted loss per share are the same for the year ended 31 December 2019.

As the Company’s outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted loss per share for the year ended 31 December 2019.

10. DIVIDEND

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2018: nil).

11. TRADE RECEIVABLES

	2019	2018
	RMB’000	*RMB’000*
Trade receivables arising from contract with customers	**179,456**	235,712
Less: Allowance for credit losses	**(1,750)**	(1,637)
	177,706	234,075

The following is an aging analysis of trade receivables, net of allowance of credit losses, presented based on the earlier of invoice date or revenue recognition date is as follows:

	2019	2018
	RMB’000	*RMB’000*
0 to 90 days	**92,766**	129,711
91 to 180 days	**61,241**	78,617
Over 180 days	**23,699**	25,747
	177,706	234,075

12. TRADE AND BILLS PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**22,559**	18,564
91 to 180 days	**8,889**	14,910
181 to 365 days	**31**	1,730
	31,479	35,204

13. BANK BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Secured, repayable within one year from the end of the reporting period	**202,800**	196,930

As at 31 December 2019, all bank borrowings are interest bearing at the PRC loan prime rate over a spread. The bank borrowing fixed at interest rate ranging from 4.57% to 5.76% per annum (2018: 4.35% to 5.85% per annum) and were due within 1 year.

The Group's bank borrowings were secured by the Group buildings and right-of-use assets (2018: prepaid land leases payments) with the carrying amounts of approximately RMB59,807,000 (2018: RMB63,182,000) and RMB30,683,000 (2018: RMB30,652,000) respectively.

14. EVENTS AFTER THE REPORTING PERIOD

As the coronavirus disease (COVID-19) has spread across China and other countries during the first quarter in 2020, the business and economic activities have been affected. The Group will keep monitoring the situation, assess and react promptly to its impacts on the Group's business operations. Up to the date of approval of the consolidated financial statements, the related financial impact on the Group could not be reasonably estimated.

15. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 as at 1 January 2019. Under the transition methods, comparative information is not restated.

In addition, certain comparative figures have been reclassified to be consistent with the current period presentation.

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 84% of the Group's total revenue for the year ended 31 December 2019. The Group exported its POE umbrellas, nylon umbrellas and umbrella parts to markets such as Japan, Hong Kong, Republic of 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 16% of the Group's total revenue for the year ended 31 December 2019. 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 increased from approximately RMB521 million for the year ended 31 December 2018 to approximately RMB559 million for the year ended 31 December 2019, representing an increase of approximately 7.3%. The increase in revenue from export markets other than Japan was primarily due to the Group's expansion into new markets such as Cambodia, Europe and other asian countries which led to increased demand for the POE umbrellas, nylon umbrellas and umbrella parts products.

Cost of sales

The cost of sales increased from approximately RMB442 million for the year ended 31 December 2018 to approximately RMB493 million for the year ended 31 December 2019, representing an increase of approximately 11.5%. The increase was mainly attributable to the corresponding increase in direct materials costs and direct labour costs to cope with the Group's increase in revenue for the same period.

Gross profit and gross margin

As a result of the foregoing, the gross profit decreased by approximately RMB13 million, or 16%, from approximately RMB79 million for the year ended 31 December 2018 to approximately RMB66 million for the year ended 31 December 2019 due to the threat of a trade war between the PRC and the United States. The gross profit margin decreased from approximately 15.2% for the year ended 31 December 2018 to approximately 11.8% for the year ended 31 December 2019.

Other income and gains

The other income and gains decreased by approximately RMB4 million, or 28.6%, from approximately RMB14 million for the year ended 31 December 2018 to approximately RMB10 million for the year ended 31 December 2019. The decrease was mainly due to the absence of imputed interest on promissory notes receivables as a result of the settlement of promissory notes during the year ended 31 December 2018.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB8 million or 72.7% from approximately RMB11 million for the year ended 31 December 2018 to approximately RMB19 million for the year ended 31 December 2019. The increase was mainly due to the increase in promotion expenses for our Group image.

Administrative expenses

Administrative expenses increased by approximately RMB3 million, or 6.5%, from approximately RMB46 million for the year ended 31 December 2018 to approximately RMB49 million for the year ended 31 December 2019. The increase in administrative expenses was mainly due to incur one-off equity-settled share-based payment expenses of approximately RMB6.7 million during the year ended 31 December 2019.

Finance costs

Finance costs increased by approximately RMB0.6 million, or 6.0%, from approximately RMB10 million for the year ended 31 December 2018 to approximately RMB11 million for the year ended 31 December 2019. The increase in finance cost was mainly due to the higher average borrowing level for the period.

Income tax expenses

Income tax expense decreased by approximately RMB2 million, or 28.6%, from approximately RMB7 million for the year ended 31 December 2018 to approximately RMB5 million for the year ended 31 December 2019, which was primarily due to decrease in the Group's profit before tax.

The effective tax rate increased from approximately 28.0% for the year ended 31 December 2018 to approximately 45.5% for the year ended 31 December 2019.

Loss for the year

For the year ended 31 December 2019, the Group recorded a loss for the year of approximately RMB16 million, as compared with profit of approximately RMB19 million for the year ended 31 December 2018. The material decline in the financial performance of the Group were mainly due to (i) the decrease in gross profit due to the threat of a trade war between the PRC and the United States; (ii) the increase in selling and distribution expenses including marketing and promotion expenses to support the Group's business expansion and to gain market share; (iii) the loss arising on change in fair value of contingent consideration receivables of approximately RMB7.5 million in relation to the acquisition of a subsidiary during the year ended 31 December 2019 and (iv) the one-off and non-cash share option expenses of approximately RMB6.7 million in relation to the share options granted during the year ended 31 December 2019.

Liquidity and financial resources

As at 31 December 2019, the Group's bank balances and cash including fixed time deposits of approximately RMB55 million (2018: approximately RMB57 million) amounted to approximately RMB81 million (2018: approximately RMB74 million), and short-term bank borrowings amounted to RMB203 million (2018: approximately RMB197 million). The annual interest rates of loans ranged from 4.57% to 5.76%. As at 31 December 2019, the Group's promissory notes payables amounted to approximately RMB19 million.

The Group's current ratio remained stable to approximately 2.3 times as at 31 December 2019 and 2018, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2019, the gearing ratio was approximately 56% (2018: approximately 50%), which was calculated based on the bank borrowings, bills payables and promissory notes as a percentage of the total equity.

Inventories

As at 31 December 2019, the inventories was approximately RMB256 million (2018: approximately RMB161 million). The inventory turnover days were increased from approximately 151 days in 2018 to approximately 154 days in 2019, 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.

Trade receivables

As at 31 December 2019, the trade receivables were approximately RMB178 million (2018: approximately RMB234 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 decreased from approximately 136 days in 2018 to approximately 135 days in 2019, 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. Trade receivable turnover days remained stable during the years ended 31 December 2019 and 2018. 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 2019, the trade and bills payables were approximately RMB31 million (2018: approximately RMB35 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 43 days in 2018 to approximately 25 days in 2019, 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 2019.

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 2019, the Group had no material capital commitment (2018: Nil). As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, the Group's leasehold land and buildings with a carrying amounts of approximately RMB90 million (2018: approximately RMB94 million) and bank deposits with a carrying amounts of approximately RMB10 million (2018: approximately RMB7 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 1,364 employees (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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND CAPITAL ASSETS

On 23 May 2019, the Group completed the acquisition of 100% equity interest in 晉江競霆貿易有限公司 ("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 including the maturity term of 36 months. Save as disclosed above, the Group had no significant investments, material acquisitions and disposals of subsidiaries and capital assets during the year.

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 2019, the net proceeds had been utilised as follows:

Use of net proceeds	**Revised allocation** *RMB (million)*	**Unutilised amount as at 31 December 2018** *RMB (million)*	**Utilised amount for the year ended 31 December 2019** *RMB (million)*	**Unutilised amount as at 31 December 2019** *RMB (million)*
Increasing our production capacity by constructing a factory	24.5	–	–	–
Paying the outstanding of the consideration in relation to the construction and completion of the new 10-storey office building	3.1	–	–	–
Strengthen our technical expertise and know-how to ensure continuous improvement of our products	3.7	–	–	–
Additional working capital and other general corporate purposes	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	23.4	7.9	15.5
Buying new brand-names and investing in a trading company	36.9	36.9	6	30.9
Total	106.0	60.3	13.9	46.4

EXPECTED TIMETABLE FOR FURTHER EXPANSION OF OUR BRANDED UMBRELLAS BY INTENSIFYING OUR MARKETING ACTIVITIES TO PROMOTE OUR BRAND AWARENESS BOTH IN THE DOMESTIC AND OVERSEAS

Use of net proceeds	**Unutilised amount as at 31 December 2019** *RMB (million)*	**Expected amounts to be utilised for the year ending 31 December 2020** *RMB (million)*	**Expected amounts to be utilised for the year ending 31 December 2021** *RMB (million)*
Further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and overseas	15.5	7.8	7.7

According to the Company's implementation plan, placing advertisements in traditional media and internet and participating in major trade fairs in the PRC and overseas and investing in advertising and promotional materials for developing new markets of our umbrella products and for training our sales and technical teams.

Accordingly, the remaining net proceeds of approximately RMB15.5 million as at 31 December 2019 allocated for further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and overseas are intended to be fully utilised for the same specific use by 31 December 2021.

EXPECTED TIMETABLE FOR BUYING NEW BRAND-NAMES AND INVESTING IN A TRADING COMPANY

Use of net proceeds	**Unutilised amount as at 31 December 2019** *RMB (million)*	**Expected amounts to be utilised for the year ending 31 December 2020** *RMB (million)*	**Expected amounts to be utilised for the year ending 31 December 2021** *RMB (million)*	**Expected amounts to be utilised for the year ending 31 December 2022** *RMB (million)*
Buying new brand-names and investing in a trading company	30.9	3	2	25.9

On 23 May 2019, the Group completed the acquisition of 100% equity interest in 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 including the maturity term of 36 months.

Accordingly, the remaining net proceeds of approximately RMB30.9 million as at 31 December 2019 allocated for buying new brand-names and investing in a trading company are intended to be fully utilised for the same specific use by 31 December 2022.

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.

The PRC and the United States have been engaged in trade negotiations since 2018. The threat of a trade war between the PRC and the United States severely affected consumer confidence and economic performance. Furthermore, the recent outbreak of the coronavirus disease (COVID-19) has further increased the risk of global economic showdown and it is expected that the Group's performance will inevitably be affected.

The Group will continue to actively devote its efforts to facilitate the prevention and control of further spreading of the coronavirus disease (COVID-19) in its premises and to ensure the health and safety of its employees. The Group will also use its best endeavours to fulfill its committed sales order as well as to liaise with the customers and suppliers to adjust production and delivery schedules to mitigate any negative economic impact on both sides.

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 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.

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 2019, 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 2019 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 2019 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 2019.

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 2019.

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 2019 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, 31 March 2020

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.