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 2020

FINANCIAL HIGHLIGHT

– Revenue decreased by approximately 38.5% to approximately RMB344 million (2019: approximately RMB559 million)

– Gross profit decreased by approximately 19.7% to approximately RMB53 million (2019: approximately RMB66 million)

– Loss for the year of approximately RMB34 million (2019: loss for the year of approximately RMB16 million)

– Basic loss per share of approximately RMB17.78 cents (2019: basic loss per share of approximately RMB8.58 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020

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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**344,390**	558,599
Cost of sales		**(291,595)**	(492,738)
Gross profit		**52,795**	65,861
Other income and gains	*4*	**1,240**	10,041
Reversal of impairment loss/(impairment loss) recognised in respect of allowances for credit losses, net of reversal		**1,645**	(113)
Impairment loss recognised in respect of property, plant and equipment		**(16,704)**	–
Impairment loss recognsied in respect of right-of-use assets		**(6,403)**	–
Fair value change on contingent consideration payable		**578**	(7,497)
Selling and distribution expenses		**(21,249)**	(19,428)
Administrative expenses		**(40,034)**	(49,175)
Finance costs	*6*	**(3,691)**	(11,130)
Loss before tax		**(31,823)**	(11,441)
Income tax expense		**(2,489)**	(4,806)
Loss for the year attributable to owners of the Company		**(34,312)**	(16,247)
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements		**(9)**	523
Total comprehensive expenses for the year attributable to owners of the Company		**(34,321)**	(15,724)
			(Restated)
Loss per share			
Basic *(RMB)*		**(17.78) cents**	(8.58) cents
Diluted *(RMB)*		**(17.78) cents**	(8.58) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**70,790**	92,681
Right-of-use assets		**27,128**	34,467
Intangible assets		**1,650**	1,847
Goodwill		**5,670**	5,670
		105,238	134,665
Current assets			
Inventories		**259,745**	255,986
Trade receivables	*11*	**49,433**	177,706
Prepayment and other receivables		**52,233**	67,552
Fixed time deposits		**56,641**	55,478
Bank balances and cash		**58,319**	26,151
		476,371	582,873
Current liabilities			
Trade and bills payables	*12*	**55,355**	31,479
Accruals, other payables and contract liabilities	*13*	**8,401**	15,317
Bank borrowings		**77,150**	202,800
Tax payable		**74**	811
Contingent consideration payables		**13,991**	–
		154,971	250,407
Net current assets		**321,400**	332,466
Total assets less current liabilities		**426,638**	467,131

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred tax liabilities	**413**	462
Contingent consideration payables	**–**	14,569
	413	15,031
Net assets	**426,225**	452,100
Capital and reserves		
Share capital	**5,802**	4,782
Reserves	**420,423**	447,318
Total equity	**426,225**	452,100

NOTES:

1. GENERAL INFORMATION

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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 sales of umbrellas and the relevant products.

The functional currency of the Company is Hong Kong dollar. 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institution of Certificated Public ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(a) Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(b) Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

(c) Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(B) New and amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

Except for the new and amendments to HKFRSs mentioned below, the Directors 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.

(a) Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

(b) Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

– update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

– add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

– add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

(c) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

– Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

– Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

– Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(d) Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent‘s profit or loss only to the extent of the unrelated investors‘ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent‘s profit or loss only to the extent of the unrelated investors‘ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

– specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

– clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

(f) Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 (the "Listing Rules") on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for contingent consideration payables 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, 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.

4. REVENUE AND OTHER INCOME AND GAINS

(i) Revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
Sales of umbrellas and the relevant products	**344,390**	558,599

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**344,390**	558,599

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

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**758**	1,486
Government grants *(note)*	**482**	2,656
Exchange gain	**–**	5,889
Others	**–**	10
	1,240	10,041

Note:

During the year ended 31 December 2020, government grants of approximately RMB482,000 (2019: RMB2,656,000) were received, where the Group had fulfilled the relevant criteria, in respect of certain research and development projects and employment support scheme. 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:

	2020	2019
	RMB'000	*RMB'000*
POE umbrella	**65,990**	119,801
Nylon umbrella	**149,022**	178,806
Umbrella parts	**129,378**	259,992
	344,390	558,599

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:

	2020	2019
	RMB'000	*RMB'000*
Japan	**113,728**	167,572
PRC	**54,074**	91,345
Kingdom of Cambodia	**131,787**	173,760
Europe	**2,575**	29,742
Republic of Korea	**40,458**	39,011
Republic of the Philippines	**–**	46,769
Other Asian countries	**1,610**	4,172
Others	**158**	6,228
	344,390	558,599

Information about major customers

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

	2020	2019
	RMB'000	*RMB'000*
Customer A	**67,596**	101,101
Customer B	**70,640**	94,739
Customer C	**61,147**	79,021

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

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expense on:		
– bank borrowings	**3,691**	10,499
– others	**–**	631
	3,691	11,130

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
– current tax	**2,538**	4,836
	2,538	4,836
Deferred tax credit	**(49)**	(30)
	2,489	4,806

(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 FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
Wages, salaries and allowances (excluding directors' emoluments)	**46,344**	68,427
Retirement benefit schemes contributions (excluding directors)	**5,502**	13,391
Equity-settled share-based payment expenses	**1,796**	6,620
Total staff costs	**53,642**	88,438
Cost of inventories sold	**291,595**	492,738
Loss on disposal of property, plant and equipment	**5**	10
Depreciation of property, plant and equipment	**5,643**	5,954
Depreciation of right-of-use assets	**936**	936
Amortisation of intangible assets	**197**	120
Fair value change on contingent consideration payable	**578**	7,497
Exchange (loss)/gain, net	**(1,117)**	5,889
(Reversal of impairment loss)/impairment loss recognised in respect of allowance for credit losses, net of reversal	**(1,645)**	113
Impairment loss recognised in respect of property, plant and equipment	**16,704**	–
Impairment loss recognised in respect of right-of-use assets	**6,403**	–
Research and development expenses *(note)*	**11,627**	9,273
Operating lease rental relating to short-term lease	**10**	28
Auditor's remuneration:		
– audit services	**556**	671
– non-audit services	**89**	135
	645	806

Note: During the year ended 31 December 2020, included in the research and development expenses was approximately RMB1,567,000 (2019: RMB1,547,000) related to staff cost.

9. LOSS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(34,312)**	(16,247)

	2020	2019
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**192,930**	189,300

The basic and diluted loss per share are the same for the years ended 31 December 2020 and 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 years ended 31 December 2020 and 2019.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation which took place on 6 July 2020.

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 (2019: nil).

11. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables arising from contracts with customers	**49,538**	179,456
Less: Allowance for credit losses	**(105)**	(1,750)
	49,433	177,706

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

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 follow:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**32,808**	92,766
91 to 180 days	**6,304**	61,241
Over 180 days	**10,321**	23,699
	49,433	177,706

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregates carrying amount of approximately RMB16,521,000 (2019: RMB86,690,000) which are past due at the end of the reporting period.

In determining the recoverability of a trade receivable, the directors consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The Group's trade receivables (net of allowance for credit losses) that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	2020	2019
	RMB'000	*RMB'000*
USD	**38,951**	152,460
JPN	**966**	13,500

12. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**712**	1,029
Bills payables	**54,643**	30,450
	55,355	31,479

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

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**34,882**	22,559
91 to 180 days	**20,242**	8,889
181 to 365 days	**231**	31
	55,355	31,479

The credit period granted by the supplier normally ranging from 30 days to 120 days.

As at 31 December 2020, trade and bills payables denominated in USD and JPY amounted to approximately RMB Nil (2019: RMB177,000) and RMB Nil (2019: RMB47,000) respectively.

13. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured, repayable within one year from the end of the reporting period	**77,150**	202,800

As at 31 December 2020, all bank borrowings are interest bearing at the PRC loan prime rate over a spread. The bank borrowing fixed at interest rate ranging from 3.40% to 3.85% per annum (2019: 4.35% to 5.76% per annum) and were due within 1 year.

14. EVENTS AFTER THE REPORTING PERIOD

The placing of new shares under a specific mandate completed on 21 January 2021 and the net proceeds of the placing were approximately HK$14.7 million.

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 2020. 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 2020. 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 RMB559 million for the year ended 31 December 2019 to approximately RMB344 million for the year ended 31 December 2020, representing a dcrease of approximately 38.5%, which was mainly attributable to the impact of the pandemic.

Cost of sales

The cost of sales decreased from approximately RMB493 million for the year ended 31 December 2019 to approximately RMB292 million for the year ended 31 December 2020, representing a decrease of approximately 40.8%. 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 RMB13 million, or 19.7%, from approximately RMB66 million for the year ended 31 December 2019 to approximately RMB53 million for the year ended 31 December 2020. The gross profit margin increased from approximately 11.8% for the year ended 31 December 2019 to approximately 15.3% for the year ended 31 December 2020.

Other income and gains

The other income and gains decreased by approximately RMB9 million, or 90.0%, from approximately RMB10 million for the year ended 31 December 2019 to approximately RMB1 million for the year ended 31 December 2020. The decrease was mainly due to the combined effect of (i) no exchange gain recorded during the year ended 31 December 2020 (2019: approximately RMB5.9 million); and (ii) the decrease of government grants.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB2 million or 10.5% from approximately RMB19 million for the year ended 31 December 2019 to approximately RMB21 million for the year ended 31 December 2020. The increase was mainly due to the increase in promotion expenses for our Group image.

Administrative expenses

Administrative expenses decreased by approximately RMB9 million, or 18.4%, from approximately RMB49 million for the year ended 31 December 2019 to approximately RMB40 million for the year ended 31 December 2020. The decrease in administrative expenses was mainly due to the decrease of one-off equity-settled share-based payment expenses of approximately RMB2 million during the year ended 31 December 2020 (2019: approximately RMB7 million).

Finance costs

Finance costs decreased by approximately RMB7 million, or 63.6%, from approximately RMB11 million for the year ended 31 December 2019 to approximately RMB4 million for the year ended 31 December 2020. Such decrease was mainly attributable to full repayment of certain bank loans during the year ended 31 December 2020.

Loss for the year

For the year ended 31 December 2020, the Group recorded a loss for the year of approximately RMB34 million, as compared with loss of approximately RMB16 million for the year ended 31 December 2019. The material decline in the financial performance of the Group were mainly due to (i) the decrease in revenue due to the impact of the pandemic; and (ii) the impairment loss of approximately RMB23 million recognised in respect of property, plant and equipment and right-of-use assets during the year ended 31 December 2020.

Liquidity and financial resources

As at 31 December 2020, the Group's bank balances and cash including fixed time deposits of approximately RMB57 million (2019: approximately RMB55 million) amounted to approximately RMB115 million (2019: approximately RMB82 million), and short-term bank borrowings amounted to RMB77 million (2019: approximately RMB203 million). The annual interest rates of loans ranged from 3.40% to 3.85%. As at 31 December 2020, the Group's contingent consideration payables amounted to approximately RMB14 million.

The Group's current ratio increased from 2.3 times as at 31 December 2019 to 3.4 times as at 31 December 2020, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2020, the gearing ratio was approximately 34% (2019: approximately 56%), which was calculated based on the bank borrowings, bills payables and contingent consideration payables as a percentage of the total equity.

Inventories

As at 31 December 2020, the inventories was approximately RMB260 million (2019: approximately RMB256 million). The inventory turnover days were increased from approximately 154 days in 2019 to approximately 323 days in 2020, 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 2020, the trade receivables were approximately RMB49 million (2019: approximately RMB178 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 135 days in 2019 to approximately 120 days in 2020, 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 and bills payables

As at 31 December 2020, the trade and bills payables were approximately RMB55 million (2019: approximately RMB31 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 increased from approximately 25 days in 2019 to approximately 54 days in 2020, 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.

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 2020, the Group had no material capital commitment (2019: Nil). As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

PLEDGE OF ASSETS

As at 31 December 2020, the Group's leasehold land and buildings with a carrying amounts of approximately RMB14 million (2019: approximately RMB90 million) and bank deposits with a carrying amounts of approximately RMB1.6 million (2019: approximately RMB10 million) were pledged to banks for bank borrowings and bills payables.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 1,062 employees (2019: 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

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 2020, the net proceeds had been utilised as follows:

Use of net proceeds	**Revised allocation** *RMB (million)*	**Unutilised amount as at 31 December 2019** *RMB (million)*	**Utilised amount for the year ended 31 December 2020** *RMB (million)*	**Unutilised amount as at 31 December 2020** *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	15.5	8.2	7.3
Buying new brand-names and investing in a trading company	36.9	30.9	1.2	29.7
Total	106.0	46.4	9.4	37.0

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 2020 *RMB (million)*	Expected timeline for the application of the unutilised proceeds
Further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and overseas	7.3	By 31 December 2021

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 RMB7.3 million as at 31 December 2020 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 2020 *RMB (million)*	Expected timeline for the application of the unutilised proceeds
Buying new brand-names and investing in a trading company	29.7	By 31 December 2022

On 23 May 2019, the Group completed the acquisition of 100% equity interest in 晋江兢霆貿易有限公司 ("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.

Accordingly, the remaining net proceeds of approximately RMB29.7 million as at 31 December 2020 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The placing completed on 26 November 2020 and the net proceeds of the placing were approximately HK$7.3 million. The Group originally intended to use the net proceeds for the general working capital of the Group. As at 31 December 2020, the net proceeds were fully utilised.

PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE

Completion on the placing took place on 21 January 2021 and the net proceeds of the placing were approximately HK$14.7 million. No net proceeds from the placing under a specific mandate were used during the reporting period. The net proceeds are intended to be fully utilized for the same specific use by 31 December 2021.

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 Republic of 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 Company established an Audit Committee on 23 January 2015 with specific written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view on the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

As at the date of this announcement, the Audit Committee 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.

During the year ended 31 December 2020, the Audit Committee held two meetings to review the annual and interim results of the Group and make recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures. During the year ended 31 December 2020, the Audit Committee has also reviewed, with the management and the Company's auditor, the Group's significant internal controls and financial matters in accordance with the Audit Committee's written terms of reference and made relevant recommendations to the Board. The Audit Committee's review covered the audit scope and findings, external auditor's independence and performance, the Group's accounting principles and practices, the Listing Rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the interim and annual financial reports for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. It also reviewed this Corporate Governance Report and an internal control review report on the Company prepared by an independent advisor.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 30 June 2020 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 2020 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 LISTED 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 2020.

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 (the "Controlling Shareholders") of the Company, to ensure their compliance with the non-competition undertakings as disclosed in the prospectus (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 2020.

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 2020 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, 22 March 2021

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.