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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

– Revenue decreased by approximately 11.0% to approximately RMB306 million (2020: approximately RMB344 million)

– Gross profit decreased by approximately 49.1% to approximately RMB27 million (2020: approximately RMB53 million)

– Loss for the year of approximately RMB128 million (2020: loss for the year of approximately RMB34 million)

– Basic loss per share of approximately RMB42.76 cents (2020: basic loss per share of approximately RMB17.78 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil)

The board (the "Board") of directors (the "Directors") of China Jicheng Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

For the reasons explained in the paragraph headed "**Review of unaudited annual results**" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	4	**306,054**	344,390
Cost of sales		**(279,154)**	(291,595)
Gross profit		**26,900**	52,795
Other income and net (loss)/gain	4	**(9,732)**	1,240
(Impairment loss)/reversal of impairment loss recognised in respect of allowances for credit losses, net of reversal		**(3,534)**	1,645
Impairment losses recognised in respect of property, plant and equipment		**(5,036)**	(16,704)
Impairment losses recognised in respect of right-of-use assets		**(2,015)**	(6,403)
Impairment losses recognised in respect of intangible assets		**(1,453)**	–
Impairment loss recognised in respect of goodwill		**(5,670)**	–
Fair value (loss)/gain on contingent consideration payables		**(7,537)**	578
Selling and distribution expenses		**(31,133)**	(21,249)
Administrative expenses		**(82,111)**	(40,034)
Finance costs	6	**(3,861)**	(3,691)
Loss before tax		**(125,182)**	(31,823)
Income tax expense	7	**(2,547)**	(2,489)
Loss for the year attributable to owners of the Company	8	**(127,729)**	(34,312)
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements		**563**	(9)
Total comprehensive expenses for the year attributable to owners of the Company		**(127,166)**	(34,321)
Loss per share			
Basic *(RMB)*	9	**(42.76) cents**	(17.78) cents
Diluted *(RMB)*	9	**(42.76) cents**	(17.78) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	**2021** **RMB'000** **(Unaudited)**	2020 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**60,446**	70,790
Right-of-use assets		**24,177**	27,128
Intangible assets		**–**	1,650
Goodwill		**–**	5,670
Prepayments		**6,710**	–
		91,333	105,238
Current assets			
Inventories		**127,580**	259,745
Financial assets at fair value through profit or loss		**5,834**	–
Trade receivables	*10*	**118,599**	49,433
Prepayment and other receivables		**45,894**	52,233
Fixed time deposits		**58,714**	56,641
Bank balances and cash		**2,478**	58,319
		359,099	476,371
Current liabilities			
Trade and bills payables	*11*	**25,481**	55,355
Accruals, other payables and contract liabilities		**29,635**	8,401
Bank borrowings		**77,650**	77,150
Tax payable		**1,096**	74
Contingent consideration payables		**–**	13,991
		133,862	154,971
Net current assets		**225,237**	321,400
Total assets less current liabilities		**316,570**	426,638
Non-current liability			
Deferred tax liabilities		**364**	413
Net assets		**316,206**	426,225
Capital and reserves			
Share capital		**7,833**	5,802
Reserves		**308,373**	420,423
Total equity		**316,206**	426,225

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 Windward 3, Regatta Office Park, PO Box 1350, 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 subsidiaries are principally engaged in manufacturing and selling of umbrellas and the relevant products.

The functional currency of the Company is Hong Kong dollar ("HKD"). 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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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.

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

(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
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	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
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

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) 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.

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

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

(b) 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.

(c) 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 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

(d) 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.

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

(e) Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in any entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity choose to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

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

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

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

(f) Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statement that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendment is not expected to have significant impact on the Group's consolidated financial statements.

(g) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The consolidated financial statements, for leasing transactions in which the tax deductions are attributes to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with the right-of-use assets and the lease liabilities.

(h) Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

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

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

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

(i) Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendment 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 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 to the transaction price.

4. REVENUE AND OTHER INCOME AND NET (LOSS)/GAIN

(i) Revenue from contracts with customers

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of umbrellas and the relevant products	**306,054**	344,390

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
A point in time	**306,054**	344,390

(ii) Other income and net (loss)/gain

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank interest income	**766**	758
Government grants	**2,638**	482
Fair value gain on investment in securities	**1,196**	–
Written off of inventories due to flooding	**(14,441)**	–
Others	**109**	–
	(9,732)	1,240

5. SEGMENT INFORMATION

The Group is engaged in a single operating segment, which is the manufacturing and selling of umbrellas and the relevant products. Operating segment is reported in a manner consistent with the internal reporting provided to the Board of Directors, being the chief operating decision maker (the "CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments, no other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, products information, major customers and geographic information are presented.

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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
POE umbrella	**61,229**	65,990
Nylon umbrella	**121,909**	149,022
Umbrella parts	**122,916**	129,378
	306,054	344,390

Geographical information

The Group's operation is 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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Japan	**90,295**	113,728
PRC (country of domicile)	**81,633**	54,074
Kingdom of Cambodia	**91,577**	131,787
Europe	**2,808**	2,575
Republic of Korea	**38,939**	40,458
Other Asian countries	**429**	1,610
Others	**373**	158
	306,054	344,390

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expense on:		
– bank borrowings	**3,861**	3,691

7. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC Corporate Income Tax		
– current tax	**2,596**	2,538
	2,596	2,538
Deferred tax credit	**(49)**	(49)
	2,547	2,489

(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) 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):

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Wages, salaries and allowances (excluding directors' emoluments)	**38,389**	46,344
Retirement benefit schemes contributions (excluding directors)	**7,916**	5,502
Equity-settled share-based payment expenses	**4,438**	1,796
Total staff costs	**50,743**	53,642
Cost of inventories sold	**279,154**	291,595
Loss on disposal of property, plant and equipment	**835**	5
Depreciation of property, plant and equipment	**5,409**	5,643
Depreciation of right-of-use assets	**936**	936
Amortisation of intangible assets	**197**	197
Exchange loss/(gain), net	**2,271**	(1,117)
Research and development expenses	**38,298**	11,627
Operating lease rental relating to short-term lease	**10**	10
Auditor's remuneration	**456**	489

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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(127,729)**	(34,312)

	2021	2020
	'000	*'000*
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**298,731**	192,930

The basic and diluted loss per share are the same for the years ended 31 December 2021 and 2020.

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 2021 and 2020.

10. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables arising from contracts with customers	**120,659**	49,538
Less: Allowance for credit losses	**(2,060)**	(105)
	118,599	49,433

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 ageing analysis of trade receivables, net of allowance of credit losses, presented based on the invoice date:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**62,201**	32,808
91 to 180 days	**42,966**	6,304
Over 180 days	**13,432**	10,321
	118,599	49,433

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregates carrying amount of approximately RMB13,439,000 (2020: RMB11,595,000) 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.

11. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**3,300**	712
Bills payables	**22,181**	54,643
	25,481	55,355

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**3,843**	34,882
91 to 180 days	**3,341**	20,242
181 to 365 days	**18,297**	231
	25,481	55,355

The credit period granted by the suppliers normally ranging from 30 days to 120 days for both years.

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 engaged in selling POE umbrellas, nylon umbrellas and umbrella parts on export basis to the Group's overseas customers which accounted for approximately 73% of the Group's total revenue for the year ended 31 December 2021. 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 27% of the Group's total revenue for the year ended 31 December 2021. 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 RMB344 million for the year ended 31 December 2020 to approximately RMB306 million for the year ended 31 December 2021, representing a decrease of approximately 11.0%, which was mainly attributable to the impact of the pandemic.

Cost of sales

The cost of sales decreased from approximately RMB292 million for the year ended 31 December 2020 to approximately RMB279 million for the year ended 31 December 2021, representing a decrease of approximately 4.5%. The decrease was mainly attributable to the corresponding decrease in direct materials costs and direct labour costs were in line with the Group's decrease in revenue during the year ended 31 December 2021.

Gross profit and gross margin

As a result of the foregoing, the gross profit decreased by approximately RMB26 million, or 49.1%, from approximately RMB53 million for the year ended 31 December 2020 to approximately RMB27 million for the year ended 31 December 2021. The gross profit margin decreased from approximately 15.3% for the year ended 31 December 2020 to approximately 8.8% for the year ended 31 December 2021.

Other income and net (loss)/gain

The Group recorded other income and net loss of approximately RMB10 million for the year ended 31 December 2021 as compared with other income and net gain of approximately RMB1 million for the year ended 31 December 2020. The material decline was mainly due to the written off of inventories due to flooding of approximately RMB14 million during the year ended 31 December 2021.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB10 million or 47.6% from approximately RMB21 million for the year ended 31 December 2020 to approximately RMB31 million for the year ended 31 December 2021. The increase was mainly due to the increase in promotion expenses for our Group image.

Administrative expenses

Administrative expenses increased by approximately RMB42 million, or 105%, from approximately RMB40 million for the year ended 31 December 2020 to approximately RMB82 million for the year ended 31 December 2021. The increase in administrative expenses was mainly due to the increase in equity-settled share-based payment expenses of approximately RMB2.6 million and increase in research and development expenses of approximately RMB26 million during the year ended 31 December 2021.

Finance costs

Finance costs remained stable as approximately RMB4 million for the years ended 31 December 2021 and 2020.

Loss for the year

For the year ended 31 December 2021, the Group recorded a loss for the year of approximately RMB128 million, as compared with loss of approximately RMB34 million for the year ended 31 December 2020. 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; (ii) the written off of inventories due to flooding; and (iii) increase in the research and development expenses during the year ended 31 December 2021.

Liquidity and financial resources

As at 31 December 2021, the Group's bank balances and cash (including fixed time deposits of approximately RMB59 million (2020: approximately RMB57 million)) amounted to approximately RMB61 million (2020: approximately RMB115 million), and short-term bank borrowings amounted to RMB78 million (2020: approximately RMB77 million). The annual interest rates of loans ranged from 3.59% to 4.44%. As at 31 December 2021, the Group's contingent consideration balance was transferred to other payable as the guarantee period are matured.

The Group's current ratio decreased from 3.1 times as at 31 December 2020 to 2.7 times as at 31 December 2021, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2021, the gearing ratio was approximately 32% (2020: approximately 34%), which was calculated based on the bank borrowings, bills payables and contingent consideration payables to the percentage of the total equity.

Inventories

As at 31 December 2021, the inventories were approximately RMB128 million (2020: approximately RMB260 million). The inventory turnover days were decreased from approximately 323 days in 2020 to approximately 253 days in 2021, 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 2021, the trade receivables were approximately RMB119 million (2020: approximately RMB49 million). The Group generally allows an average credit period of 30 to 180 days to its trade customers. The average trade receivables turnover day was decreased from approximately 120 days in 2020 to approximately 100 days in 2021, 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 2021, the trade and bills payables were approximately RMB25 million (2020: approximately RMB55 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 slightly decreased from approximately 54 days in 2020 to approximately 53 days in 2021, 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, therefore, 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.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

– 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 2021, the Group had no material capital commitment (2020: nil). As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: nil).

PLEDGE OF ASSETS

As at 31 December 2021, the Group's leasehold land and buildings with a carrying amounts of approximately RMB12 million (2020: approximately RMB14 million) and bank deposits with a carrying amounts of approximately RMB3.7 million (2020: approximately RMB1.6 million) were pledged to banks for bank borrowings and bills payables.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 800 employees (2020: 1,062 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 2021, the net proceeds had been utilised as follows:

Use of net proceeds	**Revised allocation** *RMB (million)*	**Unutilised amount as at 31 December 2020** *RMB (million)*	**Utilised amount for the year ended 31 December 2021** *RMB (million)*	**Unutilised amount as at 31 December 2021** *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	7.3	7.3	–
Buying new brand-names and investing in a trading company	36.9	29.7	8.0	21.7
Total	106.0	37.0	15.3	21.7

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

Use of net proceeds	Unutilised amount as at 31 December 2021 *RMB (million)*	Expected timeline for the application of the unutilised proceeds
Buying new brand-names and investing in a trading company	21.7	By 31 December 2022

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.

Accordingly, the remaining net proceeds of approximately RMB21.7 million as at 31 December 2021 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 2021, the net proceeds were fully utilised which were used for general working capital as follows:

– approximately HK$5 million for salaries expenses, including directors emoluments and other staff costs; and

– approximately HK$2.3 million for the Group's purchases.

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.

As at 31 December 2021, the net proceeds were fully utilised as follows:

– approximately HK$9.7 million for purchase of production equipment; and

– approximately HK$5 million for establishment of a research and development center for the Group's new product.

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 2021, 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 2021, 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 10 June 2021 due to their other business engagements.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the restrictions in force in parts of China to combat the coronavirus epidemic. The unaudited annual results contained herein have not been agreed with the Company's auditor, Elite Partners CPA Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

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 2021.

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 2021 (2020: nil).

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). Publication of the audited 2021 annual results will be delayed due to the COVID-19 pandemic which caused a disruption in the auditing process. While the completion of the auditing process depends on the travel restrictions and quarantine arrangements in relation to the COVID-19 pandemic, it is therefore difficult to estimate the completion date for the auditing process with reasonable preciseness.

The Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements in both Hong Kong and the PRC, and hopefully, expects to publish the audited 2021 annual results by 30 April 2022.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein.

The annual report of the Company for the year ended 31 December 2021 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. Further announcement(s) will be made as and when appropriate.

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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Fujian Province, The PRC, 31 March 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Huang Wenji, Mr. Yang Guang, Mr. Lin Zhenshuang and Mr. Chung Kin Hung, Kenneth, and three independent non-executive Directors, namely Mr. Tso Sze Wai, Mr. Yang Xuetai and Ms. Lee Kit Ying, Winnie.