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 2016

FINANCIAL HIGHLIGHT

– Revenue decreased by approximately 8.2% to approximately RMB604 million (2015: approximately RMB658 million)

– Gross profit decreased by approximately 49.9% to approximately RMB74 million (2015: approximately RMB147 million)

– Profit for the year decreased by approximately 75.7% to approximately RMB6 million (2015: approximately RMB25 million)

– Basic earnings per share decreased by approximately 66.7% to approximately RMB0.01 cents (2015 Restated: approximately RMB0.03 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016

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 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4	**603,985**	657,667
Cost of sales		**(530,173)**	(510,464)
Gross profit		**73,812**	147,203
Other income and other gains	4	**8,232**	10,665
Selling and distribution expenses		**(12,971)**	(18,126)
Administrative expenses		**(47,196)**	(81,349)
Provision for litigation	14	**(1,001)**	–
Finance costs	6	**(7,362)**	(8,360)
Profit before taxation		**13,514**	50,033
Income tax expense	7	**(7,390)**	(24,804)
Profit for the year	8	**6,124**	25,229
Other comprehensive (expenses)/income for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		**(301)**	2,216
Total comprehensive income for the year		**5,823**	27,445
Profit for the year attributable to:			
Owner of the Company		**6,124**	25,229
Total comprehensive income for the year attributable to:			
Owner of the Company		**5,823**	27,445
			(Restated)
Earnings per share:			
Basic and diluted *(RMB)*	9	**0.01 cents**	0.03 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**108,842**	109,375
Prepaid lease payments		**36,339**	44,766
Promissory note receivables		**28,708**	–
		173,889	154,141
Current assets			
Inventories		**180,076**	106,951
Trade receivables	*11*	**105,679**	51,250
Prepayments and other receivables		**81,885**	39,834
Prepaid lease payments		**936**	1,033
Income tax recoverable		**2,249**	–
Pledged deposits		**31,274**	23,805
Bank balances and cash		**137,304**	260,382
		539,403	483,255
Current liabilities			
Trade and bills payables	*12*	**100,552**	64,475
Accrued expenses and other payables		**9,306**	8,336
Income tax payable		**–**	3,294
Bank borrowings		**172,451**	136,131
		282,309	212,236
Net current assets		**257,094**	271,019
Net assets		**430,983**	425,160
Capital and reserves attributable to owner of the Company			
Share capital		**4,731**	4,731
Reserves		**426,252**	420,429
Total equity		**430,983**	425,160

NOTES:

1. GENERAL INFORMATION OF THE GROUP AND REORGANISATION

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

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

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

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant for the preparation of the Group's consolidated financial statements for the first time in the current year:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principle and interest on the principle outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires and expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.

- Step 2: Identify the performance obligations in the contract.

- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptance Methods of Depreciation And Amortisation

The amendments establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The amendments should be applied prospectively. As the Group use straight-line method for the depreciation for its property, plant and equipment, the directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly. The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have no material impact on the disclosures made in the Group's consolidated financial statements.

Other than the above mentioned new and revised HKFRSs and amendments the directors of the Company anticipate that the application of the new and revised HKFRSs and amendments will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND OTHER INCOME AND OTHER GAINS

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**603,985**	657,667
Other income and other gains		
Bank interest income	**837**	1,221
Government grants *(Note)*	**3,046**	2,541
Exchange gain, net	**4,341**	6,903
Imputed interest on promissory notes	**8**	–
	8,232	10,665

Note: During the year, government grants of approximately RMB3,046,000 (2015: RMB2,541,000) were received, where the Group had fulfilled the relevant granting criteria, in respect of certain research projects and export encouragement scheme. The amounts were therefore immediately recognised as other income.

5. SEGMENT INFORMATION

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

Product Information

The Group is 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:

	2016	2015
	RMB'000	*RMB'000*
POE umbrella	**335,828**	399,712
Nylon umbrella	**201,052**	188,465
Umbrella parts	**67,105**	69,490
	603,985	657,667

Geographical Information

The Group's operations are located in the PRC, accordingly, no geographical information about the Group's assets and liabilities has been presented. The Group's customers are mainly located in Japan and the PRC.

An analysis of the Group's revenue from external customers presented by geographical location is detailed below:

Revenue from external customers	**2016**	2015
	RMB'000	*RMB'000*
Japan	**329,392**	331,150
PRC	**180,343**	204,247
Other	**94,250**	122,270
	603,985	657,667

Information about Major Customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**151,138**	120,102
Customer B	**114,858**	89,675
Customer C	**91,306**	N/A*

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

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on:		
– bank borrowings wholly repayable within five years	**7,362**	8,360

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**7,390**	24,804

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

ii) No provision for Hong Kong profits tax has been made for subsidiary established in Hong Kong as this subsidiary did not have any assessable profits subject to Hong Kong profits tax during the year ended 31 December 2016 and 2015.

iii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the year ended 31 December 2016 and 2015.

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

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**13,514**	50,033
Tax at domestic income tax rate of 25%	**3,379**	12,508
Tax effect of expense not deductible for tax purposes	**4,011**	12,296
Income tax expense for the year	**7,390**	24,804

8. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	**73,592**	71,048
Retirement benefit scheme contributions (excluding directors)	**14,350**	14,549
Total staff costs	**87,942**	85,597
Cost of inventories recognised as an expense *(Note a)*	**530,173**	510,464
Loss on disposal of property, plant and equipment	**27**	28
Depreciation of property, plant and equipment	**7,288**	5,737
Amortisation of prepaid lease payments	**1,091**	1,033
Research and development expenses *(Note b)*	**10,864**	7,381
Listing expenses	**–**	8,549
Equity-settled share-based payment expense	**–**	36,004
Auditor's remuneration	**560**	488

Note:

(a) During the year ended 31 December 2016, included in the cost of goods sold was approximately RMB24,655,000 (2015: Nil) related to the provision of obsolete inventories.

(b) During the year ended 31 December 2016, included in the research and development expenses, was approximately RMB1,750,000 (2015: RMB1,717,000) related to staff costs.

9. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic earnings per share for years ended 31 December 2016 and 2015 respectively were adjusted for the share subdivision on 26 April 2016.

For the year ended 31 December 2015, the computation of diluted earnings per share for the year did not assume the exercise of outstanding share options of the Company since the exercise price of the share options was higher than the average market price during 2015.

For the year ended 31 December 2016, the diluted earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding.

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**6,124**	25,229

	2016	2015
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**75,000,000**	75,000,000

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

11. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**105,679**	51,250

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

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**79,978**	51,250
91 to 180 days	**25,701**	–
	105,679	51,250

The Group has individually assessed all receivables. No impairment losses were recognised during the year ended 31 December 2016 and 2015.

At 31 December 2016, the aged analysis of trade receivables that was past due (i.e. over the credit period) but not impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
Over the credit period		
1 to 90 days	**25,701**	–

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

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

	2016	2015
	'000	*'000*
USD	**8,923**	6,190
JPY	**682,405**	123,884

12. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**15,485**	5,517
Bills payables	**85,067**	58,958
	100,552	64,475

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

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**71,252**	33,167
91 to 180 days	**28,342**	31,308
181 to 365 days	**958**	–
	100,552	64,475

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

13. CAPITAL COMMITMENT

The Group had the following capital commitments at the end of each reporting period:

	2016	2015
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**–**	756

14. PROVISION FOR LITIGATION

Yao Da San ("Mr.Yao") filed a claim through Fujian Province Zhangzhou Zhangpu People's Court against to an indirect wholly-owned subsidiary of the Group, Jinjiang Jicheng Industry Co., Ltd. ("Jinjiang Jicheng") for the outstanding subcontracting fee with amount approximately RMB1,038,928 ("Litigation").

On 13 March 2017, with the effort of Fujian Province Zhangzhou Zhangpu People's Court, both parties agreed to reconcile on litigation. Jinjiang Jicheng agreed to make one-off payment with an amount approximately RMB950,000 to Mr.Yao as damage with condition that Mr.Yao will not pursue further actions regarding this litigation for remaining balances.

In the opinion of the directors of the Company, provisions on the damage and professional fee in relation to the litigation is sufficient based on the best estimates and advice from the external legal counsel. The provision for litigation with amount approximately RMB1,001,000 was made during the year ended 31 December 2016, including the compensation of approximately RMB950,000, mediation cost of People's court approximately RMB26,000 and legal professional fee of approximately RMB25,000.

15. DISPOSAL OF A SUBSIDIARY OF THE COMPANY

On 30 December 2016, the Group disposed of the entire equity interest in 山東恒茂傘業有限公司 ("Shandong Hengmao") to an independent third party (the "Purchaser"). The Group in return obtained a promissory note with the aggregate principal amount of RMB34,800,000 which were receivable 2 years from 30 December 2016 issued by the Purchaser. The fair value of the promissory note was determined at approximately RMB28,700,000 at the disposal date, based on an independent valuation carried out by an independent professional valuer, Peak Vision Appraisals Limited ("Peak Vision"). In addition, pursuant to the relevant sale and purchase agreement, the Purchaser shall pay to the Group a total of RMB34,800,000 for undertaking the repayment of a loan in the approximate amount of RMB27,395,000 owed by Shandong Hengmao to a subsidary of the Group (the "Loan") and the purchase consideration. Subsequently, Shandong Hengmao's obligation of the Loan shall be released upon completion of the disposal. The loss on disposal was approximately RMB5,506,000 was recognised in the profit or loss. Shandong Hengmao was engaged in manufacturing and sales of umbrellas.

The assets and liabilities of the Shandong Hengmao as at the date of disposal were as follows:

	2016 ***RMB'000***
Property, plant and equipment	26,520
Prepaid leases payment	7,433
Other receivables and prepayments	322
Cash and cash equivalents	107
Inventories	52
Accrual expenses and other payables	(228)
Net assets disposed of	34,206
Consideration of disposals	
Promissory note	28,700
	28,700
Loss on disposal of subsidiary, net*	(5,506)

* For illustration purpose only should the results on the disposal of Shangong Hengmao calculate based on the principal amount of the promissory note of RMB34,800,000, the Group will record a gain on disposal of Shangdong Hengmao of approximately RMB594,000.

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. During the year ended 31 December 2016, the Group disposed of the entire equity interest in 山東恒茂傘業有限公司 (Shandong Hengmao Umbrella Company Limited) ("Shandong Hengmao") to an independent third party (the "Purchaser").

The Group principally sell POE umbrellas, nylon umbrellas and umbrella parts on export basis to the Group's overseas customers which accounted for approximately 70.1% of the Group's total revenue for the year ended 31 December 2016. The Group exported its POE umbrellas, nylon umbrellas and umbrella parts to markets such as Japan, Hong Kong, South Korea, Taiwan, Spain and Cambodia. The Group's overseas customers would usually provide the Group with their design and specification. The Group's sales personnel would closely communicate with the Group's customers. Depending on the specific needs of these overseas customers, the Group's sales personnel would put forward the Group's suggestions for modifications to design and specification from its research and development staff to the Group's customers for their consideration. When customers decide on the final design and specification, the Group would make samples and provide to the Group's customers for approval.

For domestic market, the Group sold its POE umbrellas, nylon umbrellas and umbrella parts to the Group's customers in the PRC which accounted for approximately 29.9% of the Group's total revenue for the year ended 31 December 2016. 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 be in line with its new business strategy, on 30 December 2016, the Group disposed of the entire equity interest in Shandong Hengmao to the Purchaser. The Group in return obtained a promissory note with the aggregate principal amount of RMB34,800,000 which were receivable with a tenor of 2 years from 30 December 2016 issued by the Purchaser. The Company recognised a loss on disposal in the amount of approximately RMB6 million which included the non-cash imputed interest cost on the promissory note with a two year maturity of approximately RMB6 million measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. For illustration purpose only should the results on the disposal of Shangong Hengmao calculate based on the principal amount of the promissory note of RMB34,800,000, the Group will record a gain on disposal of Shangdong Hengmao of approximately RMB594,000.

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 RMB658 million for the year ended 31 December 2015 to approximately RMB604 million for the year ended 31 December 2016, representing a decrease of approximately 8.2%. The decrease in revenue from the PRC was primarily due to decreased demand for the POE umbrellas compared to the previous year. The decrease in revenue was primarily due to the decrease in sales volume affected by poor market situation in both PRC and export markets.

Cost of Sales

The cost of sales increased from approximately RMB510 million for the year ended 31 December 2015 to approximately RMB530 million for the year ended 31 December 2016, representing an increase of approximately 3.9%. The increase was mainly attributable to the combined effect of the corresponding decrease in direct materials costs and direct labour costs to cope with the Group's decrease in revenue for the same period and the non-cash provision for the obsolete inventories of approximately RMB25 million.

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit decreased by approximately RMB73 million, or 49.9%, from approximately RMB147 million for the year ended 31 December 2015 to approximately RMB74 million for the year ended 31 December 2016. The gross profit margin decreased from approximately 22.4% for the year ended 31 December 2015 to approximately 12.2% for the year ended 31 December 2016. This was mainly due to the decrease in revenue whereas the increase in direct costs including rise in raw material prices and factory operating costs and the non-cash provision for the obsolete inventories of approximately RMB25 million.

Other Income and Other Gains

The other income and other gains decreased by approximately RMB2 million, or 22.8%, from approximately RMB11 million for the year ended 31 December 2015 to approximately RMB8 million for the year ended 31 December 2016. The decrease was mainly due to the decrease of net exchange gain arising from the depreciation of Renminbi against United States dollars during the year ended 31 December 2016 than the previous year.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately RMB5 million, or 28.4%, from approximately RMB18 million for the year ended 31 December 2015 to approximately RMB13 million for the year ended 31 December 2016. The decrease was mainly due to sales volume decreased.

Administrative Expenses

Administrative expenses decreased by approximately RMB34 million, or 42.0%, from approximately RMB81 million for the year ended 31 December 2015 to approximately RMB47 million for the year ended 31 December 2016. The decrease in administrative expenses was mainly due to there is no share options granted by the Company during the year ended 31 December 2016 as compared to previous year (2015: approximately RMB36 million) and no Listing expenses were recognised during the year ended 31 December 2016 as compared to previous year (2015: approximately RMB9 million).

Finance Costs

Finance costs decreased by approximately RMB1 million, or 11.9%, from approximately RMB8 million for the year ended 31 December 2015 to approximately RMB7 million for the year ended 31 December 2016. The decrease in finance cost was mainly due to relatively lower average interest rate of the Group's interest-bearing borrowings during the year ended 31 December 2016 compared to the previous year and part of the drawndown of interest-bearing borrowings were close to the end of the year.

Income Tax Expenses

Income tax expense decreased by approximately RMB17 million, or 70.2%, from approximately RMB25 million for the year ended 31 December 2015 to approximately RMB7 million for the year ended 31 December 2016, which was primarily due to decrease in the Group's profit before tax.

The effective tax rate increased from approximately 49.6% for the year ended 31 December 2015 to approximately 54.7% for the year ended 31 December 2016.

Profit for The Year

As a result for the foregoing factors, profit for the year decreased by approximately RMB19 million, or 75.7%, from approximately RMB25 million for the year ended 31 December 2015 to approximately RMB6 million for the year ended 31 December 2016.

Liquidity and Financial Resources

As at 31 December 2016, the Group's bank balances and cash (including restricted bank deposits of approximately RMB31 million (2015: approximately RMB24 million)) amounted to approximately RMB169 million (2015: approximately RMB284 million), and short-term bank borrowings amounted to RMB172 million (2015: approximately RMB136 million). The annual interest rates of loans ranged from 4.6% to 7.2%.

The Group's current ratio decreased from approximately 2.3 times as at 31 December 2015 to approximately 1.9 times as at 31 December 2016, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2016, the gearing ratio was approximately 60% (2015: approximately 46%), which was calculated based on the interest-bearing liabilities as a percentage of the total equity.

Inventories

As at 31 December 2016, the inventories was approximately RMB180 million (2015: approximately RMB107 million). The inventory turnover days were increased from approximately 77 days in 2015 to approximately 99 days in 2016, 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 366 days. This was mainly due to the stocking up in preparation for the chinese new year which fell on late January 2017.

Trade Receivables

As at 31 December 2016, the trade receivables were approximately RMB106 million (2015: approximately RMB51 million). The Group generally allows an average credit period of 30 to 150 days to its trade customers. The average trade receivables turnover day was increased from approximately 26 days in 2015 to approximately 48 days in 2016, 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 366 days. This was mainly due to the increasing of delayed settlement from our customers that utilised our credit terms granted.

Trade and Bills Payables

As at 31 December 2016, the trade and bills payables were approximately RMB101 million (2015: approximately RMB64 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 48 days in 2015 to approximately 57 days in 2016, 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 366 days. This is mainly due to an increase in purchase of raw materials at the end of 2016.

Foreign Exchange Risk

The Group has foreign currency sales and purchases denominated in United States Dollars ("USD"), Japanese Yen ("JPY") and Hong Kong Dollars ("HKD"), which are different from the functional currency of the group entities carrying out the transactions. Also, certain trade receivables, pledged deposits, bank balances and cash, trade payables and bank borrowings are denominated in USD, JPY and HKD which are currencies other than the functional currency of the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, the Directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Capital Commitments and Contingent Liabilities

As at 31 December 2016, the Group had no material capital commitment (2015: approximately RMB1 million). As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

Pledge of Assets

As at 31 December 2016, the Group's leasehold land and buildings with a carrying amounts of approximately RMB101 million (2015: approximately RMB106 million) and bank deposits with a carrying amounts of approximately RMB31 million (2015: approximately RMB24 million) were pledged to banks for bank borrowings.

Employees and Remuneration Policy

As at 31 December 2016, the Group employed a total of 1,738 employees (2015: 1,905 employees). The emolument policy of the employees of the Group was set up by the Board based on their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Use of Proceeds from the Global Offering

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

1) approximately RMB36.9 million out of the unutilised net proceeds for buying new brand-names and/or licensing rights of umbrella products from Southeast Asian countries to increase our 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 2016, the net proceeds had been utilised as follows:

Use of Net Proceeds	**Revised allocation** *RMB (million)*	**Utilised amount up to 31 December 2016** *RMB (million)* **(Approximately)**	**Unutilised amount up to 31 December 2016** *RMB (million)*
Increasing our production capacity by constructing a factory	24.5	24.5	–
Paying the outstanding of the consideration in relation to the construction and completion of the new 10-storey office building	3.1	3.1	–
Strengthen our technical expertise and know-how to ensure continuous improvement of our products	3.7	3.7	–
Additional working capital and other general corporate purposes	10.6	10.6	–
Further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and overseas	27.2	2.7	24.5
Buying new brand-names and investing in a trading company	36.9	–	36.9
Total	106.0	44.6	61.4

FUTURE PROSPECTS

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

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

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Tso Sze Wai (Chairman of the Audit Committee), Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. The audit committee is primarily responsible for the review and supervision of the financial reporting systems, risk management and internal control systems. It has reviewed the annual results for the year ended 31 December 2016, including the accounting principles and practices adopted by the Company and the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year.

CORPORATE GOVERNANCE

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

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same person. Mr. Huang 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. 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 May 2016 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 2016 have been agreed with the Company's auditor, Elite Partners CPA Limited ("Elite Partners"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year end 31 December 2016, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

CLOSURE OF REGISTER OF MEMBERS

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

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

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 2016 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

Hong Kong, 29 March 2017

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.