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 2017

FINANCIAL HIGHLIGHT

– Revenue decreased by approximately 10.9% to approximately RMB538 million (2016: approximately RMB604 million)

– Gross profit increased by approximately 9.7% to approximately RMB81 million (2016: approximately RMB74 million)

– Profit for the year decreased by approximately 42.4% to approximately RMB4 million (2016: approximately RMB6 million)

– Basic earnings per share decreased by approximately 43.8% to approximately RMB0.09 cents (2016 Restated: approximately RMB0.16 cents)

– The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017

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 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	4	**538,264**	603,985
Cost of sales		**(457,326)**	(530,173)
Gross profit		**80,938**	73,812
Other income and gains	4	**4,889**	8,232
Selling and distribution expenses		**(12,833)**	(12,971)
Administrative expenses		**(56,835)**	(47,196)
Provision for litigation	14	**–**	(1,001)
Finance costs	6	**(9,454)**	(7,362)
Profit before taxation		**6,705**	13,514
Income tax expense	7	**(3,175)**	(7,390)
Profit for the year	8	**3,530**	6,124
Other comprehensive income/(expenses) for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		**457**	(301)
Total comprehensive income for the year		**3,987**	5,823
Profit for the year attributable to:			
Owner of the Company		**3,530**	6,124
Total comprehensive income for the year attributable to:			
Owner of the Company		**3,987**	5,823
			(Restated)
Earnings per share:	9		
Basic *(RMB)*		**0.09 cents**	0.16 cents
Diluted *(RMB)*		**0.09 cents**	0.16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**103,552**	108,842
Prepaid lease payments		**35,403**	36,339
Promissory note receivables		**–**	28,708
		138,955	173,889
Current assets			
Inventories		**204,832**	180,076
Trade receivables	*11*	**154,350**	105,679
Prepayments and other receivables		**59,028**	81,885
Prepaid lease payments		**936**	936
Tax recoverable		**1,630**	2,249
Promissory note receivables		**31,616**	–
Pledged deposits		**23,101**	31,274
Bank balances and cash		**66,753**	137,304
		542,246	539,403
Current liabilities			
Trade and bills payables	*12*	**68,549**	100,552
Accrued expenses and other payables		**8,586**	9,306
Bank borrowings	*13*	**163,480**	172,451
		240,615	282,309
Net current assets		**301,631**	257,094
Net assets		**440,586**	430,983
Capital and reserves attributable to owner of the Company			
Share capital		**4,731**	4,731
Reserves		**435,855**	426,252
Total equity		**440,586**	430,983

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 umbrellas.

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

2. APPLICATION OF 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:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
HKFRSs (Amendment)	Annual Improvements to HKFRSs, 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in Notes 13 to the consolidated financial statements.

Other than such additional disclosures with regards to HKAS 7, the application of the amendments as mentioned above has not had any material effect on the consolidated financial statements.

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily 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 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

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 For those amendments that will become effective for annual periods beginning on or after 1 January 2018

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. 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 principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments 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 that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, 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 nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

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 a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a 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.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains 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.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

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 result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 disclosure requirements of the Hong Kong Companies Ordinance.

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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**538,264**	603,985
Other income and gains		
Bank interest income	**491**	837
Government grants *(Note i)*	**851**	3,046
Exchange gain, net	**–**	4,341
Imputed interest on promissory notes receivables	**2,908**	8
Others *(Note ii)*	**639**	–
	4,889	8,232

Notes:

(i) During the year, government grants of approximately RMB851,000 (2016: RMB3,046,000) were received, where the Group had fulfilled the relevant criteria, in respect of certain research and development projects. The amounts were therefore immediately recognised as other income.

(ii) The amount represents compensation received from insurance company during the year.

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 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:

	2017	2016
	RMB'000	*RMB'000*
POE umbrella	**275,679**	335,828
Nylon umbrella	**171,097**	201,052
Umbrella parts	**91,488**	67,105
	538,264	603,985

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	**2017**	2016
	RMB'000	*RMB'000*
Japan	**337,436**	329,392
PRC	**110,787**	180,343
Other	**90,041**	94,250
	538,264	603,985

Information About Major Customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A	**70,761**	151,138
Customer B	**80,419**	114,858
Customer C	**128,589**	91,306
Customer D*	**63,536**	N/A

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

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on:		
– bank borrowings wholly repayable within five years	**9,454**	7,362

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**3,870**	7,390
Over-provision in respect of prior year	**(695)**	–
	3,175	7,390

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 2017 and 2016.

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 2017 and 2016.

iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

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:

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**6,705**	13,514
Tax at domestic income tax rate of 25%	**1,676**	3,379
PRC dividend withholding tax	**335**	–
Tax effect of non deductable expenses	**2,586**	4,011
Tax effect of non-taxable income	**(727)**	–
Over-provision in respect of prior year	**(695)**	–
Income tax expense for the year	**3,175**	7,390

8. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	**79,934**	73,592
Retirement benefit scheme contributions (excluding directors)	**16,186**	14,350
Equity-settled share-based payment	**3,986**	–
Total staff costs	**100,106**	87,942
Cost of inventories recognised as an expense *(Note a)*	**457,326**	530,173
Loss on disposal of property, plant and equipment	**203**	27
Depreciation of property, plant and equipment	**6,671**	7,288
Amortisation of prepaid lease payments	**936**	1,091
Research and development expenses *(Note b)*	**10,714**	10,864
Net foreign exchange loss	**8,088**	–
Auditor's remuneration	**588**	560
Equity-settled share-based payment		
Employees other than Directors	**3,986**	–
Consultants	**1,630**	–
Total equity-settled share-based payment	**5,616**	–

Notes:

(a) During the year ended 31 December 2017, no provision of obsolete inventories was provided (2016: approximately RMB24,655,000).

(b) During the year ended 31 December 2017, included in the research and development expenses was approximately RMB1,558,000 (2016: approximately RMB1,750,000) related to staff cost.

9. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for years ended 31 December 2017 and 2016 respectively were adjusted for the share consolidation on 10 October 2017.

For the year ended 31 December 2017, the computation of diluted earnings per share for the year assume the exercise of outstanding share options of the Company since the average market price was higher than the exercise price of the share options during 2017.

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.

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**3,530**	6,124

	2017	2016
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating earnings per shares:		
Basic	**3,750,000**	3,750,000
Diluted	**3,808,192**	3,750,000

10. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

11. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**154,350**	105,679

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.

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**103,116**	79,978
91 to 180 days	**51,234**	25,701
	154,350	105,679

The Group has individually assessed all receivables. No impairment losses were recognised during the year ended 31 December 2017 and 2016.

At 31 December 2017, the aged analysis of trade receivables that was past due (i.e. over the credit period) but not impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Over the credit period		
1 to 90 days	**51,234**	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:

	2017	2016
	'000	*'000*
USD	**16,998**	8,923
JPY	**492,638**	682,405

12. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**11,169**	15,485
Bills payables	**57,380**	85,067
	68,549	100,552

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

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**33,485**	71,252
91 to 180 days	**33,824**	28,342
181 to 365 days	**1,240**	958
	68,549	100,552

The credit period on purchase of goods ranged from 30 days to 180 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

13. BANK BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Secured, repayable within one year from the end of the reporting period	**163,480**	172,451

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings
	RMB'000
As of 31 December 2016	172,451
Repayment of bank loans	(172,611)
New bank loans	163,640
As of 31 December 2017	**163,480**

Notes:

i) As at 31 December 2017, all bank borrowings carried fixed rates of interest from 4.62% to 5.75% per annum (2016: 4.57% to 5.98% per annum) and were due within 1 year.

ii) The Group's bank borrowings at the end of each reporting period were secured by the followings:

a) As at 31 December 2017, all bank borrowings were secured by the Group's follow assets:

	2017	2016
	RMB'000	*RMB'000*
Leasehold land and building	**96,814**	100,810
Bank deposits	**23,101**	31,274
Total	**119,915**	132,084

14. PROVISION FOR LITIGATION

Mr. 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 ("Litigation"). 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 Fujian Province Zhangzhou Zhangpu People's court of approximately RMB26,000 and legal professional fee of approximately RMB25,000.

On 11 January 2017, deposit of approximately RMB1,039,000 was set aside as a guarantee deposit by Fujian Province Zhangzhou Zhangpu People's Court ("Deposit").

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 the Litigation for remaining balances.

The case was fully settled in March 2017 by the Deposit according to rulings for enforcement issued by Fujian Province Zhangzhou Zhangpu People's Court.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft. The Group manufactures products at the production site located in Dongshi Town and Yonghe Town of Jinjiang City in Fujian Province of the PRC.

The Group principally sell POE umbrellas, nylon umbrellas and umbrella parts on export basis to the Group's overseas customers which accounted for approximately 79.4% of the Group's total revenue for the year ended 31 December 2017. 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 20.6% of the Group's total revenue for the year ended 31 December 2017. 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 RMB604 million for the year ended 31 December 2016 to approximately RMB538 million for the year ended 31 December 2017, representing a decrease of approximately 10.9%. The decrease in revenue from the PRC was primarily due to decreased demand for the POE umbrellas and nylon 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 decreased from approximately RMB530 million for the year ended 31 December 2016 to approximately RMB457 million for the year ended 31 December 2017, representing a decrease of approximately 13.7%. The decrease was mainly attributable to the corresponding decrease in direct materials costs and direct labour costs to cope with the Group's decrease in revenue for the same period and there is no noncash provision for the obsolete inventories during the year (2016: approximately RMB25 million).

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit increased by approximately RMB7 million, or 9.7%, from approximately RMB74 million for the year ended 31 December 2016 to approximately RMB81 million for the year ended 31 December 2017. The gross profit margin increased from approximately 12.2% for the year ended 31 December 2016 to approximately 15.0% for the year ended 31 December 2017. This was mainly due to there is no noncash provision for the obsolete inventories during the year (2016: approximately RMB25 million).

Other Income and Other Gains

The other income and gains decreased by approximately RMB3 million, or 40.6%, from approximately RMB8 million for the year ended 31 December 2016 to approximately RMB5 million for the year ended 31 December 2017. The decrease was mainly due to the combined effect of (i) no net exchange gain recorded during the year ended 31 December 2017 (2016: RMB4 million), (ii) the decrease of government grants and (iii) the increase of imputed interest on promissory notes receivables.

Selling and Distribution Expenses

Selling and distribution expenses remained stable at approximately RMB13 million for the year ended 31 December 2016 and 2017.

Administrative Expenses

Administrative expenses increased by approximately RMB10 million, or 20.4%, from approximately RMB47 million for the year ended 31 December 2016 to approximately RMB57 million for the year ended 31 December 2017. The increase in administrative expenses was mainly due to the net exchange loss of approximately RMB8 million arising from the appreciation of Renminbi against United States dollars and Japanese Yen during the year ended 31 December 2017 and the equity-settled share-based payment of approximately RMB6 million for the share options granted by the Company to employees and consultants of the Group during the year ended 31 December 2017 as compared to previous year (2016: Nil).

Finance Costs

Finance costs increased by approximately RMB2 million, or 28.4%, from approximately RMB7 million for the year ended 31 December 2016 to approximately RMB9 million for the year ended 31 December 2017. The increase in finance cost was mainly due to the higher average borrowing level for the period.

Income Tax Expenses

Income tax expense decreased by approximately RMB4 million, or 57.0%, from approximately RMB7 million for the year ended 31 December 2016 to approximately RMB3 million for the year ended 31 December 2017, which was primarily due to decrease in the Group's profit before tax.

The effective tax rate decreased from approximately 54.7% for the year ended 31 December 2016 to approximately 47.4% for the year ended 31 December 2017.

Profit for The Year

As a result for the foregoing factors, profit for the year decreased by approximately RMB3 million, or 42.4%, from approximately RMB6 million for the year ended 31 December 2016 to approximately RMB4 million for the year ended 31 December 2017.

Liquidity and Financial Resources

As at 31 December 2017, the Group's bank balances and cash (including restricted bank deposits of approximately RMB23 million (2016: approximately RMB31 million)) amounted to approximately RMB90 million (2016: approximately RMB169 million), and short-term bank borrowings amounted to RMB163 million (2016: approximately RMB172 million). The annual interest rates of loans ranged from 4.6% to 6.0%.

The Group's current ratio increased from approximately 1.9 times as at 31 December 2016 to approximately 2.3 times as at 31 December 2017, which was calculated based on the total current assets divided by the total current liabilities. As at 31 December 2017, the gearing ratio was approximately 50% (2016: approximately 60%), which was calculated based on the interest-bearing liabilities as a percentage of the total equity.

Inventories

As at 31 December 2017, the inventories was approximately RMB205 million (2016: approximately RMB180 million). The inventory turnover days were increased from approximately 99 days in 2016 to approximately 154 days in 2017, 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. This was mainly due to increase in purchasing activities towards the end of the reporting period.

Trade Receivables

As at 31 December 2017, the trade receivables were approximately RMB154 million (2016: approximately RMB106 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 48 days in 2016 to approximately 88 days in 2017, 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. This was mainly due to we have extended credit period for those long term business relationships and good settlement history customers suffering intense market competitions.

Trade and Bills Payables

As at 31 December 2017, the trade and bills payables were approximately RMB69 million (2016: approximately RMB101 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 57 days in 2016 to approximately 67 days in 2017, which was calculated based on the average of the beginning and ending of trade and bills payable balance of the year divided by cost of sales of the year and multiplied by 365 days. This is mainly due to an increase in purchase of raw materials at the end of 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to numerous risks and uncertainties. The following is a summary of some of the principal risks and uncertainties affecting the Group's business:

– The Group's business, financial condition and results of operations may be affected by the loss of key customers.

  It is important for the Group to maintain close and mutually beneficial relationships with the Group's key overseas and domestic customers. The Group's revenue is also subject to the Group's customers' business, product quality, sales strategy, industry conditions and the overall economic market environments. Any significant reduction of sales to or loss of any of the Group's key customers could materially and adversely affect our business, financial condition and results of operations.

– The Group may be subject to certain risks, such as political and economic instability and fluctuations in currency rates of foreign currencies, associated with selling our umbrella products to Japan, the PRC and other overseas customers.

Any change in market demand levels for the Group's umbrella products in Japan, the PRC and in the Group's other export destinations may have a significant effect on the Group's business, financial condition and results of operations. In particular, the Group is affected by changes in the economic condition of Japan, a major destination of our products, and the PRC.

As the Group's sales are primarily made in US dollar, RMB and Japanese Yen whereas the Group's purchases of materials and payment of wages and salaries to the PRC workers are in RMB and US dollar, the Group is exposed to exchange rate risk. In addition, the Group is exposed to the risks associated with the currency conversion and exchange rate system in the PRC.

– Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability.

  The prices of most of the Group's raw materials generally follow the price trends of, and vary with, market conditions. Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including but not limited to market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on their respective market prices from time to time.

– The Group may experience a shortage of labour or our labour costs may continue to increase.

Capital Commitments and Contingent Liabilities

As at 31 December 2017, the Group had no material capital commitment (2016: Nil). As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

Pledge of Assets

As at 31 December 2017, the Group's leasehold land and buildings with a carrying amounts of approximately RMB97 million (2016: approximately RMB101 million) and bank deposits with a carrying amounts of approximately RMB23 million (2016: approximately RMB31 million) were pledged to banks for bank borrowings.

Employees and Remuneration Policy

As at 31 December 2017, the Group employed a total of 1,822 employees (2016: 1,738 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 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 2017, the net proceeds had been utilised as follows:

Use of Net Proceeds	**Revised allocation** *RMB (million)*	**Utilised amount up to 31 December 2017** *RMB (million)* **(Approximately)**	**Unutilised amount up to 31 December 2017** *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	3.2	24.0
Buying new brand-names and investing in a trading company	36.9	–	36.9
Total	106.0	45.1	60.9

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 2017, including the accounting principles and practices adopted by the Company and the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

CORPORATE GOVERNANCE

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

Under paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same person. Mr. Huang Wenji is currently the Chairman of the Board and the chief executive officer who is primarily responsible for the day-to-day management of the Group's business. The Directors consider that vesting the roles of the Chairman of the Board and chief executive officer in the same person facilitates the execution of the Group's business strategies and decision making, and maximizes the effectiveness of the Group's operation. The Directors also believe that the presence of three independent non-executive Directors provides added independence to our Board. The Directors will review the structure from time to time and consider an adjustment should it become appropriate.

Code provision A.6.7 stipulates that independent non-executive directors should attend general meeting of the Company. Mr. Tso Sze Wai, Mr. Yang Xuetai and Ms. Lee Kit Ying, Winnie, being the independent non-executive Directors, did not attend the Company's annual general meeting held on 31 May 2017 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 2017 have been agreed with the Company's auditor, Elite Partners CPA Limited ("Elite Partners"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

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 2017.

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 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all the colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all the shareholders, customers, bankers and other business associates for their trust and support.

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

Fujian Province, The PRC, 28 March 2018

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.