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

ANNOUNCEMENT OF UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

– Revenue decreased by approximately 9.7% to RMB259 million.

– Gross profit decreased by approximately 5.9% to RMB40 million.

– Profit for the Period attributable to owners of the Company was approximately RMB8 million.

– Earnings per share attributable to owners of the Company was approximately RMB0.21 cents.

– The Board does not recommend the payment of any interim dividend for the Period.

The board (the "**Board**") of directors (the "**Directors**") of China Jicheng Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 (the "**Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**258,770**	286,545
Cost of sales		**(218,523)**	(243,765)
Gross profit		**40,247**	42,780
Other income and other gains		**5,983**	2,500
Selling and distribution expenses		**(6,682)**	(5,598)
Administrative expenses		**(23,847)**	(22,894)
Finance costs	*5*	**(4,907)**	(6,150)
Profit before taxation		**10,794**	10,638
Income tax expense	*6*	**(2,680)**	(2,508)
Profit for the Period	*7*	**8,114**	8,130
Other comprehensive income for the Period that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas entities		**52**	(590)
Total comprehensive income for the period		**8,166**	7,540
Profit for the Period attributable to owners of the Company		**8,114**	8,130
Total comprehensive income for the Period attributable to owners of the Company		**8,166**	7,540
			(Restated)
Earnings per share:	*8*		
Basic (RMB)		**0.21**	0.22
Diluted (RMB)		**0.21**	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**100,878**	103,552
Prepaid lease payments		**34,935**	35,403
		135,813	138,955
Current assets			
Inventories		**169,291**	204,832
Trade receivables	*12*	**202,450**	154,350
Prepayments and other receivables		**81,603**	59,028
Prepaid lease payments		**936**	936
Tax recoverable		**603**	1,630
Promissory note receivables	*11*	**33,204**	31,616
Pledged deposits		**19,793**	23,101
Bank balances and cash		**66,882**	66,753
		574,762	542,246
Current liabilities			
Trade and bills payables	*13*	**46,998**	68,549
Accrued expenses and other payables		**7,966**	8,586
Income tax payable		**926**	–
Bank borrowings		**203,110**	163,480
		259,000	240,615
Net current assets		**315,762**	301,631
Net assets		**451,575**	440,586
Capital and reserves			
Share capital	*14*	**4,778**	4,731
Reserves		**446,797**	435,855
Total equity		**451,575**	440,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

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 shares of the Company have been listed on the main board (the "**Main Board**") of the Stock Exchange with effect from 13 February 2015 (the "**Listing Date**").

The Company is engaged in investment holding while the principal subsidiaries are principally engaged in manufacturing and sale of umbrella.

The functional currency of the Company and the subsidiaries established in the People's republic of China (the "**PRC**") are Renminbi ("**RMB**"). The condensed consolidated financial statements are presented in RMB, which is the same as the functional currency of the company.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

2.2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those set out in the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers to Investment Property*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Considerations*
Annual Improvements to HKFRSs 2014-2016 cycle	*Amendments to HKFRS 1 and HKAS 28*

Of these, the following are relevant to the Group's unaudited condensed consolidated interim financial information.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The Group had to change its accounting policies as a result of adopting the above new standards. The impact of the adoption of these standards and new accounting policies are disclosed below. The other standards and interpretation did not have material impact in the Group's accounting policies and did not require any adjustments.

(i) HKFRS 9 Financial Instruments

The new accounting policies in relation to measurement of impairment of financial assets are set out in below.

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and

- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. While cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

Other financial assets at amortised cost

Other financial assets at amortised cost include promissory note receivables and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

(ii) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's condensed consolidated interim financial statements.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

3. REVENUE

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 Period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**258,770**	286,545

4. SEGMENT INFORMATION

The Group is engaged in a single operating segment, the manufacturing and sale of umbrella. 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 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's main products are POE umbrella, nylon umbrella and umbrella parts. An analysis of the Group's revenue by product category is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
POE umbrella	**85,830**	149,006
Nylon umbrella	**106,652**	107,167
Umbrella parts	**66,288**	30,372
	258,770	286,545

Geographical information

The Group's operations are located in the PRC. 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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Japan	**106,402**	179,707
PRC	**80,947**	70,747
Cambodia	**29,397**	26,926
Other	**42,024**	9,165
	258,770	286,545

The country of domicile of the Group's operation is PRC. Consequently, the Group's major non-current assets are all located in the PRC.

Information about major customers

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**55,992**	61,789
Customer B*	**36,225**	N/A
Customer C*	**34,888**	N/A
Customer D*	**N/A**	66,122
Customer E*	**N/A**	46,305

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

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
– bank borrowings wholly repayable within five years	**4,907**	6,150

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	**2,676**	2,862
– Withholding tax	**–**	341
Under/(over) provision in respect of prior year	**4**	(695)
	2,680	2,508

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 six months ended 30 June 2018 and 2017.

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 six months ended 30 June 2018 and 2017.

iv) Dividends declared by the PRC subsidiaries and associates to investors incorporated in Hong Kong are subject to a withholding tax at applicable tax rates.

In accordance with Caishui (2008) No. 1 issued by State Tax Authorities, undistributed profits from the PRC companies up to 31 December 2007 will be exempted from withholding tax when they are distributed in future.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the Period has been arrived at after charging/(crediting):		
Salaries and allowances (including directors' emoluments)	**34,498**	41,563
Retirement benefit scheme contributions (including directors' emoluments)	**6,515**	6,724
Total staff costs *(Note)*	**41,013**	48,287
Cost of inventories recognised as an expense	**218,523**	243,765
Loss on disposal of property, plant and equipment	**21**	203
Depreciation of property, plant and equipment	**3,109**	3,380
Amortisation of prepaid lease payments	**468**	468
Research and development expenses *(Note)*	**10,274**	5,889
Auditor's remuneration	**168**	16
Exchange (gains)/loss	**(3,059)**	418

Note: During the Period, included in staff costs were staff costs of the Group's employees who engaged in research and development activities of approximately RMB797,000 (First half of 2017: RMB768,000).

8. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for periods ended 30 June 2017 respectively were adjusted for the share consolidation on 10 October 2017.

For the period ended 30 June 2018, the computation of diluted earnings per share for the Period does not assume the exercise of outstanding share options of the Company since the exercise price was higher than the average market price of the share options during the Period ended 30 June 2018.

For the period ended 30 June 2017, the diluted earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the Period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**8,114**	8,130

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
		(Restated)
Weighted average number of ordinary shares for the purpose of diluted earnings per share:		
Basic	**3,782,818**	3,750,000
Diluted	**3,782,818**	3,750,000

9. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of interim dividend (First half of 2017: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the first half of 2018, additions to property, plant and equipment amounted to approximately RMB465,000 (2017: approximately RMB1,840,000) and disposal of property, plant and equipment with net book value was approximately RMB30,000 (2017: approximately RMB1,702,000).

11. PROMISSORY NOTE RECEIVABLES

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 approximately 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 RMB28,708,000 at the date of initial recognition, based on an independent valuation carried out by an independent external professional valuer.

The promising note was measured at amortised cost with an effective interest rate of 10.13%. As at 30 June 2018, the carrying amount of the promissory note was approximately RMB33,204,000 (2017: approximately RMB31,616,000).

12. TRADE RECEIVABLES

The Group generally allows a credit period of 30-150 days to its trade customers.

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.

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
0 to 90 days	**137,434**	103,116
91 to 180 days	**65,016**	51,234
	202,450	154,350

13. TRADE AND BILLS PAYABLES

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Trade payables	**3,509**	11,169
Bills payables	**43,489**	57,380
	46,998	68,549

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

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
0 to 90 days	**45,679**	33,485
91 to 180 days	**384**	33,824
181 to 365 days	**935**	1,240
	46,998	68,549

The credit period on purchase of goods ranged from 30 days to 120 days.

14. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	*RMB'000*
Authorised:			
At 1 January 2017 and 30 June 2017, ordinary shares of *HK$*0.00008 each	125,000,000,000	10,000	
Effect of share subdivision to *HK$*0.0016 each *(Note a)*	(118,750,000,000)	–	
At 31 December 2017 and 30 June 2018, ordinary shares of *HK$*0.0016 each	6,250,000,000	10,000	
Issued and fully paid:			
At 1 January 2017 and 30 June 2017	75,000,000,000	6,000	4,731
Effect of share subdivision *(Note a)*	(71,250,000,000)	–	–
At 31 December 2017	3,750,000,000	6,000	4,731
Exercise of share options *(Note b)*	36,000,000	58	47
At 30 June 2018	3,786,000,000	6,058	4,778

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 9 October 2017, a share consolidation was approved with effect from 10 October 2017 in which every twenty (20) share issued and unissued ordinary share of HK$0.00008 each in the share capital of the Company was consolidated into one (1) consolidated share having a par value of HK$0.0016 per consolidated share ("Share Consolidation"). Immediately after the Share Consolidation, the number of the authorised share capital of the Company was consolidated into 6,250,000,000 consolidated shares, of which 3,750,000,000 consolidated shares were issued and fully paid. Details of the Share Consolidation are disclosed in the circular of the Company dated 14 September 2017.

(b) During the Period, 36,000,000 shares were issued at HK$0.097 per share as a result of the exercise of share options of the Company (2017: Nil).

All shares issued during the Period rank pari passu with existing shares in all respects.

15. SHARE OPTION

The Company adopted the share option scheme (the the "Share Option Scheme") on 23 January 2015 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rule thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on the Listing Date.

During the six months ended 30 June 2018 and 30 June 2017, no share options have been granted under the Share Option Scheme.

Details of the movements in the number of share options under the Share Options Scheme during the Period were as follows:

	Date of grant	Exercised price	Exercised period	Outstanding at 1 January 2018 *'000*	Exercised during the Period *'000*	Lapse/ forfeited during the period *'000*	Outstanding at 30 June 2018 *'000*
Other employees and consultants	3 November 2017	0.097	3 November 2017 to 2 November 2018	360,000	(36,000)	–	324,000

The fair value per share option granted during the year 2017 estimated at the date of grant using The Black-Scholes pricing model was HK$0.0183. The assumptions used are as follows:

Fair value at measurement date	*HK$*0.0183
Share price	*HK$*0.097
Exercise price	*HK$*0.097
Expected volatility	298%
Option life	1 year
Dividend yield	0%
Risk-free interest rate	0.88%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield was estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate. There were no market conditions associated with the share option grants.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (First half of 2017: Nil).

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 to its customers. The Group is one of the largest exporters of umbrellas and parasols in the PRC in terms of export volume. With respect to the market of plastic umbrellas, the Group is one of the largest manufacturers of plastic umbrellas in the PRC in terms of sales volume. The Group is also one of the largest suppliers of plastic umbrellas in Japan. The Group is one of the largest umbrellas and parasols manufacturers in China in terms of sales volume. The Group sells to domestic market and exports POE umbrellas, nylon umbrellas and umbrella parts to markets such as Japan, Hong Kong, South Korea, Taiwan, Spain and Cambodia etc. The Group manufactures products at Dongshi Town and Yonghe Town of Jinjiang City in Fujian Province. To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

Financial Review

Results

During the Period, the Group's revenue decreased to approximately RMB259 million, representing a decrease of approximately 9.7% in comparison to that of 2017, and the profit attributable to owners of the Company of approximately RMB8 million for the Period, representing a decrease of approximately 0.2% in comparison for that of 2017. The Company's basic profit per share was RMB0.21 cents.

Revenue

The revenue decreased from approximately RMB287 million for the first half of 2017 to RMB259 million for the Period, representing a decrease of approximately 9.7%. The decrease in revenue was primarily due to the decrease in sales volume of our Japan customers affected by poor market situation.

Cost of Sales

The cost of sales decreased from approximately RMB244 million for the first half of 2017 to RMB219 million for the Period, representing a decrease of approximately 10.4%. The decrease was mainly attributable to the decrease in direct materials costs and direct labour costs to correspond with the Group's decrease in the revenue for the same period.

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit decreased by approximately RMB3 million, or 5.9%, from approximately RMB43 million for the first half of 2017 to RMB40 million for the same period in 2018. The Group's gross profit margin increased from approximately 14.9% for the first half of 2017 to 15.6% for the Period.

Other Income and Other Gains

The other income and other gains increased by approximately RMB3 million, or 139.3%, from approximately RMB3 million for the first half of 2017 to RMB6 million for the Period. The increase was mainly due to the exchange gain of RMB3 million for the Period as compared with exchange loss of approximately RMB0.4 million for the six months ended 30 June 2017.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately RMB1 million, or 19.4%, from approximately RMB6 million for the first half of 2017 to RMB7 million for the Period. The increase was mainly due to an increase in packaging expenses due to an increasing demand for the packaging design requested by customers and an increasing cost of packaging materials.

Administrative Expenses

Administrative expenses increased by approximately RMB1 million, or 4.2%, from approximately RMB23 million for the first half of 2017 to RMB24 million for the Period. The increase in administrative expenses was mainly due to an increase in research and development expenses for potential new customers during the Period.

Finance Costs

Finance costs decreased by approximately RMB1 million, or 20.2%, from approximately RMB6 million for the first half of 2017 to approximately RMB5 million for the Period. The decrease in finance cost was mainly due to relatively lower average carrying amount and relatively lower average interest rate of the Group's interest-bearing borrowings during the six month ended 30 June 2018 compared to the previous period.

Income Tax Expenses

Income tax expense increased by approximately RMB0.2 million, or 6.9%, from approximately RMB2.5 million for the first half of 2017 to RMB2.7 million for the Period.

Liquidity and Financial Resources

At 30 June 2018, the Group's bank and cash balances (including restricted bank deposits of approximately RMB20 million (31 December 2017: RMB25 million)) amounted to approximately RMB87 million (31 December 2017: RMB115 million). The Group's short-term bank borrowings amounted to RMB203 million (31 December 2017: RMB186 million). The annual interest rates of loans ranged from 4.35% to 5.9%.

At 30 June 2018, the Group's current ratio was approximately 2.2 times (31 December 2017: 2.3 times), which was calculated based on the total current assets divided by the total current liabilities.

At 30 June 2018, the Group's gearing ratio was approximately 55% (31 December 2017: 50%), which was calculated based on the interest-bearing liabilities as a percentage of the total equity.

Inventories

The inventory turnover days were increased from approximately 154 days for the year ended 31 December 2017 to approximately 155 days for the Period.

Trade Receivables

The average trade receivables turnover day was increased from approximately 88 days for the year ended 31 December 2017 to approximately 125 days for the Period. This was mainly due to certain of our customers utilised our credit terms granted. This is in line with the credit terms of 30 days to 150 days granted by the Group to its customers.

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

At 30 June 2018, the Group did not have any significant capital commitments (31 December 2017: Nil). At 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Pledge of Assets

At 30 June 2018, the Group's leasehold land and buildings with a carrying amounts of approximately RMB95 million (31 December 2017: RMB99 million) and bank deposits with a carrying amounts of approximately RMB20 million (31 December 2017: RMB25 million) were pledged to banks for bank borrowings.

Employees and Remuneration Policy

At 30 June 2018, the Group employed a total of 1,620 employees (31 December 2017: 2,000 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 at 30 June 2018, the net proceeds had been utilised as follows:

Use of Net Proceeds	**Revised allocation** *RMB (million)* **(Approximately)**	**Utilised amount up to 30 June 2018** *RMB (million)*	**Unutilised amount up to 30 June 2018** *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 *(Note)*	**27.2**	**3.1**	**24.1**
Buying new brand-names and investing in a trading company *(Note)*	**36.9**	**–**	**36.9**
Total	**106.0**	**45.0**	**61.0**

Note:

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.

FUTURE PROSPECTS

The Group's principal objectives are to maintain and strengthen its position as a leading umbrella manufacturer focused in the 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 further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, promoting business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to shareholders. To diversify its business and explore potential business opportunities, the Group is exploring and developing business opportunities and projects.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises four executive Directors and three independent non-executive Directors. The Company has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules since the Listing Date with the following deviations:

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

Code provision A.6.7 stipulates that independent non-executive directors should attend general meeting of the Company. Mr. Tso Sze Wai, Mr. Yang Xuetai and Ms. Lee Kit Ying, Winnie, being the independent non-executive Directors, did not attend the Company's annual general meeting held on 30 May 2018 due to their other business engagements.

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. As the shares of the Company were not listed on the Main Board of the Stock Exchange until the Listing Date, the Model Code was only applicable to the Company starting from the Listing Date. 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 since the Listing Date.

AUDIT COMMITTEE

The Audit Committee was established on 23 January 2015. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Mr. Tso Sze Wai was appointed as the chairman of the Audit Committee. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the Period.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 January 2015. The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Ms. Lee Kit Ying, Winnie is the chairperson of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 23 January 2015. It comprises three independent non-executive Directors, namely, Mr. Tso Sze Wai, Ms. Lee Kit Ying, Winnie and Mr. Yang Xuetai. Mr. Yang Xuetai is the Chairman of the Nomination Committee.

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, 29 August 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.