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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)

SUPPLEMENTAL ANNOUNCEMENT REGARDING (I) PLACING OF NEW SHARES UNDER GENERAL MANDATE; (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

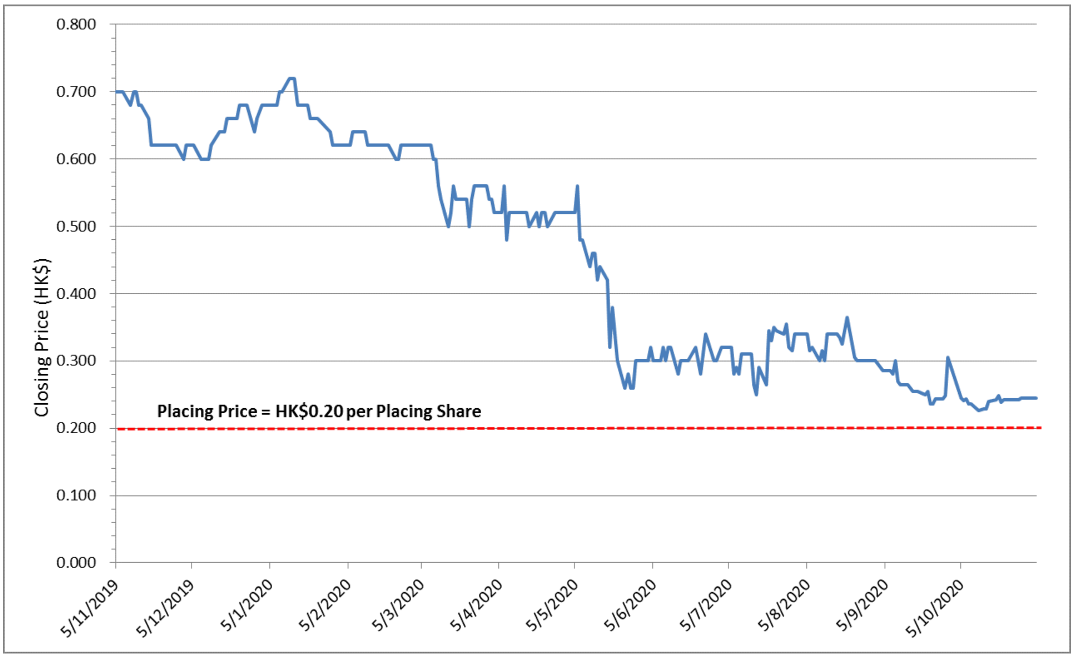
Reference is made to the announcement of China Jicheng Holdings Limited (the "**Company**") dated 4 November 2020 (the "**Announcement**") in relation to, among other things, the GM Placing and the SM Placing. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with additional information in relation to the GM Placing and the SM Placing:

(A) THE DETERMINATION BASIS OF THE PLACING PRICE

As stated in the Announcement, the Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other matters, the prevailing market prices of the Shares and the capital requirement for the future development of the Group.

In determining the Placing Price, the Board has reviewed the closing price of the Shares during the period from 5 November 2019 and up to and including the date of the GM Placing Agreement (being the twelve months period immediately prior to the date of the GM Placing Agreement) (the "**Review Period**"). The following chart depicts the closing price of the Shares during the Review Period:

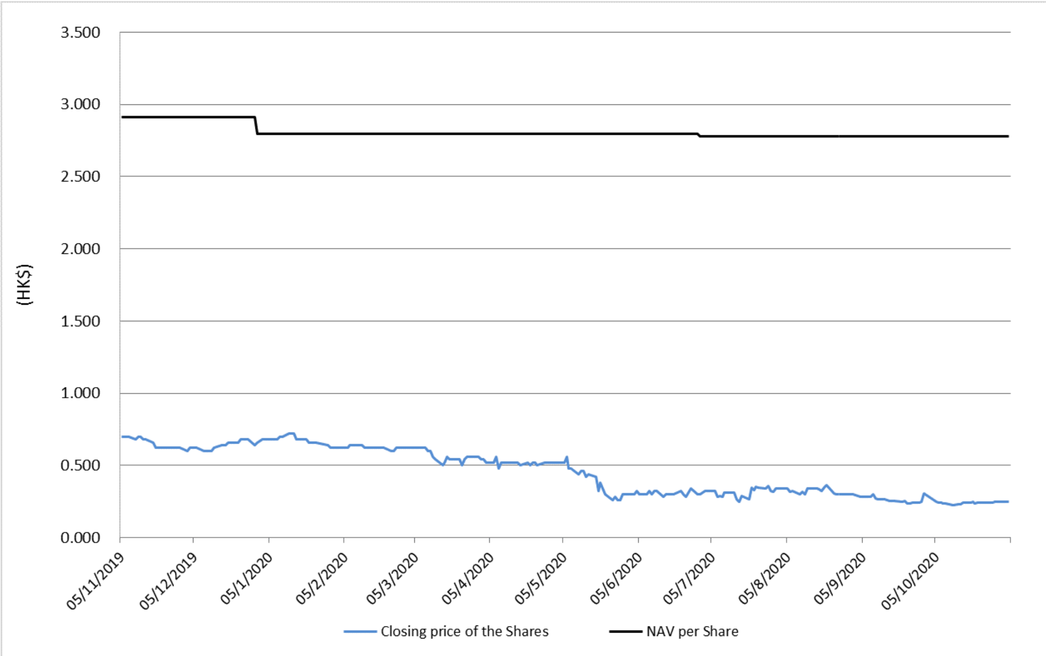


Source: *the website of the Stock Exchange*

Note: The Company completed the share consolidation on 6 July 2020 by consolidating every twenty issue and unissued shares of par value HK$0.0016 each in the share capital of the Company to one consolidated share of par value of HK$0.032 each (the "**Share Consolidation**"), details of which were set out in the circular of the Company dated 8 June 2020. The closing price of the Shares have been adjusted based on the Share Consolidation.

As shown in the chart above, the closing price of the Shares exhibited a general downward trend during the Review Period and ranged from the lowest of HK$0.226 per Share on 12 October 2020 to the highest of HK$0.72 per Share (equivalent to HK$0.036 per pre-consolidation Share prior to the Share Consolidation) on 13 January 2020, 14 January 2020 and 15 January 2020. Taking into account (i) the loss-making position of the Group for the year ended 31 December 2019 and for the six months ended 30 June 2020; (ii) the general downward trend of the Share price during the Review Period; and (iii) the impact from the outbreak of COVID-19, the Board considers that it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the GM Placing and the SM Placing, but in any event the Placing Price should not represent a discount of 20% or more to the benchmarked price of the Shares pursuant to Rule 13.36(5) of the Listing Rules.

The Directors noted that the Placing Price represents a discount of approximately 92.8% to the unaudited equity attributable to owners of the Company (the "**NAV**") per Share as at 30 June 2020. The following chart depicts the closing price of the Shares and the NAV per Share for the Review Period:



Source: *the website of the Stock Exchange*

Notes:

1. The NAV per Share is calculated by dividing the equity attributable to owners of the Company as extracted from the then latest published financial reports of the Company by the total number of issued Shares at the relevant date.

2. Amounts denominated in RMB have been converted to HK$ at a rate of RMB1.00 to HK$1.17.

Given that (i) the Shares were traded at a deep discount to the NAV per Share throughout the Review Period; and (ii) the recent market price of the Shares have already reflected the expectation of the investors to the Company (such as its financial results and corporate actions) and the recent market sentiment, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Placing Price and that the discount of the Placing Price to the NAV per Share is justifiable.

The Directors are of the opinion that after taking into account the presently available financial resources, and the proposed proceeds of HK$22 million from the proposed GM Placing and SM Placing, the Group will have sufficient working capital for its business operation and further development for the next twelve months.

In view of the above, in particular, (i) the closing price of the Shares exhibited a general downward trend during the Review Period; (ii) it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the GM Placing and the SM Placing in view of the Group's loss position for the year ended 31 December 2019 and for the six months ended 30 June 2020, and the impact from the outbreak of COVID-19; and (iii) it is worthwhile and acceptable by diluting the public from approximately 34.95% to approximately 21.84% to raise fund of HK$22 million in order to maintain sufficient working capital for the next twelve months and strengthen the innovation capability and competitiveness as well as to enhance the market share of the Group's umbrella products, the Directors consider that the Placing Price is fair and reasonable.

(B) REASONS FOR THE GM PLACING AND THE SM PLACING

According to the management account of the Company for the nine months ended 30 September 2020, the Group's bank balances and cash and fixed time deposits as at 30 September 2020 were approximately RMB2.0 million and approximately RMB59.0 million, respectively.

As disclosed in the announcement of the Company dated 30 April 2019, Wing Wing (Hong Kong) Industrial Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company) and Fu Kun*（付坤）(the "**Vendor**") entered into a sale and purchase agreement (the "**Acquisition Agreement**"), pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the entire equity interest in Jinjiang Jingting Trading Company Limited*（晉江兢霆貿易有限公司）for a consideration of RMB29,000,000 (equivalent to approximately HK$33,930,000) (subject to adjustment). The Consideration shall be paid and satisfied by the Company upon completion of the acquisition in the following manner: (i) as to RMB5,000,000 (equivalent to approximately HK$5,850,000) payable in cash; (ii) as to the remaining balance of RMB24,000,000 (equivalent to approximately HK$28,080,000) by the issue of the promissory note (the "**Promissory Note**") by the Company. The Promissory Note was subsequently issued by the Company to the Vendor on 23 May 2019. The Promissory Note bears no interest and will mature on the date falling on the thirty-six (36) months after the date of its issue (i.e. 22 May 2022, the "**Maturity Date**"). During the year ended 31 December 2019, the audited net profit after tax of Jinjiang Jingting Trading Company Limited did not satisfy the profit guarantee and as a result, the shortfall payment of approximately RMB2,157,000 will be used to set off against the outstanding principal amount of the Promissory Note due by the Group in accordance with the terms and condition stated in the Acquisition Agreement.

Given that it is the contractual obligation of the Company to redeem the Promissory Note (subject to adjustment on the principal amount of the Promissory Note in accordance with the profit guarantee mechanism) on or before the Maturity Date pursuant to the Acquisition Agreement, the Directors consider that the Company should set aside its cash and cash equivalents of RMB21,843,000 (equivalent to approximately HK$25,556,000) for the redemption of the Promissory Note, and such cash and cash equivalents should be not used for the development of the Group's businesses and/or general working capital.

Furthermore, according to the management account of the Company for the nine months ended 30 September 2020, the Group's cash and cash equivalent (comprising bank balances and cash as well as fixed time deposits) as at 30 September 2020 was approximately RMB61.0 million, among which fixed time deposit of approximately RMB43.9 million was pledged to banks for bills payables. As disclosed in the interim report of the Group for the six months ended 30 June 2020, the operation of the Group has been deteriorating over the past few months due to US-China trade tension. Since January 2020, the COVID-19 pandemic has further hit the operations of the Group's business unexpectedly and has significantly affected the business of the Group. It is expected that the impact of the COVID-19 pandemic on the Group's business will continue this year.

Moreover, the Company did not conducted any equity fund raising activities since the listing date of the Shares on the Stock Exchange (i.e. 13 February 2015).

In addition, the Group's strategy and commitment is to work closely with its customers, continually introduce new reliable designs and functions, and manufacture high quality products. Clients in overseas markets, in particular developed countries like Japan, usually pay great attention to the products quality. The Directors are of the view that purchasing new production equipment to replace aged and technologically obsolete equipment would be key elements to enhance the Group's competitiveness.

The Group's major monthly operating costs includes staff costs of approximately RMB5.5 million and purchase cost of raw materials of approximately RMB30 million. In addition, bill payables of approximately RMB50.0 million as at 30 September 2020 have to be repaid within 6 months. The Directors anticipated that the current available cash and cash equivalent of approximately RMB17.1 million (after deducting the pledged fixed time deposit of approximately RMB43.9 million) might not be sufficient for financing the Group's development plan (mainly purchasing production equipment and establishing a research and development centre for the Group's new products) and the Group's general working capital for the next twelve months. Accordingly, the Directors are of the view that the Company has imminent need to raise fund through the GM Placing and the SM Placing in order to meet the Group's funding need for the next twelve months.

Save for the GM Placing and the SM Placing, the Directors have also considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as rights issue, open offer and placing of convertible bonds. As for debt financing, the Group has approached two banks for the possible bank loan in the amount of HK$20 million to HK$25 million. However, the banks expressed that they are unlikely to grant such loan to the Group without guarantees or pledged assets. The Directors are of the view that debt financing will increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company, and will increase the Group's gearing ratio. As to rights issue and open offer, the Group has approached three securities firms about the possibility and feasibility of acting as underwriter for rights issue or open offer with the fund-raising size of HK$20 million to HK$25 million. All securities firms expressed that they are not prepared, under the current market sentiment, to act as underwriter for rights issue or open offer of the fund-raising size desirable by the Group. As for placing of convertible bonds, the Group has also approached two securities firms about the possibility and feasibility of acting as the placing agent for placing of convertible bonds. Such securities firms asked for placing commission of 3% and requested for the placing price at a discount of not less than 15% and with coupon rate of 4% to 8%. The Directors are of the view that convertible bonds financing will increase the ongoing interest expenses of the Group which may, in turn, affect the profitability and liquidity of the Company. Moreover, if the share price does not exceed the exercise price of the convertible bonds, the investors might not exercise the conversion right attached to the convertible bonds, which means the Company has to reserve those fund raising capital to redeem the convertible bonds instead of sustaining the Group's business and development. In view of the above, the Directors consider that the GM Placing and the SM Placing are currently the most feasible financing method to the Company to raise sufficient fund.

Notwithstanding that the shareholding of the existing public Shareholders will be diluted from approximately 34.95% to approximately 21.84% as a result of the completion of the GM Placing and the SM Placing, after taking into consideration the facts that (i) the Group has the imminent need to raise sufficient fund for the Group's business development and general working capital; (ii) the GM Placing and the SM Placing are currently the most feasible financing method to the Company to raise sufficient fund; and (iii) the Placing Price is fair and reasonable as discussed above, the Directors consider that the GM Placing and the SM Placing are in the interests of the Company and the Shareholders as a whole.

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

Fujian Province, the PRC, 16 November 2020

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, Yang Xuetai and Lee Kit Ying, Winnie.

* *For identification purpose only*