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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)

DISCLOSEABLE TRANSACTION
IN RELATION TO
DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board wishes to announce that on 17 June 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 100% equity interest in the Target Company, at a consideration of RMB30,000,000 in accordance with the terms and conditions of the Disposal Agreement.

Immediately upon Completion, the Group will no longer have any equity interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 17 June 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, 100% equity interest in the Target Company, at a consideration of RMB30,000,000 in accordance with the terms and conditions of the Disposal Agreement.

THE DISPOSAL AGREEMENT

Date:

17 June 2022

Parties:

Vendor : Jicheng Umbrella Hong Kong Company Limited (集成傘業香港有限公司)

Purchaser : Kam Wai Hing Wong (Group) Co. Limited (錦威興旺(集團)有限公司)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties as at the date of this announcement.

Assets to be disposed of:

As at the date of this announcement, the Vendor has 100% equity interest in the Target Company. Pursuant to the Disposal Agreement, the Purchaser shall acquire 100% equity interest in the Target Company from the Vendor.

Consideration

Pursuant to the Disposal Agreement, the consideration of RMB30,000,000 shall be paid by the Purchaser to the Vendor in the following manner:

- (1) RMB10,000,000 in cash within five (5) working days after the signing of the Disposal Agreement;
- (2) RMB10,000,000 in cash on or before 30 September 2022; and
- (3) the remaining RMB10,000,000 in cash on or before 31 October 2022.

Basis for the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the unaudited net asset value of the Target Company as at 30 April 2022; (ii) the historical financial performance of the Target Company; (iii) the current and expected market condition of the industry in which the Target Company operates; and (iv) the reasons for and benefits of the Disposal as set out below.

Conditions precedent to the Completion

The Completion is conditional upon the satisfaction of certain conditions precedent, including but not limited to:

- (1) the Purchaser has completed due diligence work on the Target Company and is satisfied with the results; and
- (2) there being no existing or known legal proceedings or claims initiated by or to any government authority against the Target Company or the Vendor, which would prevent the performance of the Disposal Agreement or would have material adverse effect on the Target Company.

As at the date of this announcement, the first condition mentioned above had been satisfied.

Completion

The date of Completion shall fall on the date on which the conditions precedent to the Completion have been fulfilled.

INFORMATION ON THE TARGET COMPANY, THE GROUP AND THE PURCHASER

The Target Company

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Vendor has 100% equity interest in the Target Company.

The Target Company is principally engaged in the manufacturing and sale of umbrellas and umbrella parts.

Financial information of the Target Company

The financial information of the Target Company, before elimination of intercompany transactions and balance, for the two years ended 31 December 2021 and the four months ended 30 April 2022 are set out below:

| | For the year ended 31 December | | For the four months ended |
|-----------------|-----------------------------------|----------------|---------------------------------|
| | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (audited) | (audited) | (unaudited) |
| Revenue | 93,596 | 65,166 | 7,560 |
| Net assets | 146,104 | 41,807 | 28,282 |
| Loss before tax | 21,576 | 104,297 | 13,524 |
| Loss after tax | 21,576 | 104,297 | 13,524 |

The Group

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 Purchaser

To the best knowledge of the Directors, the Purchaser is Kam Wai Hing Wong (Group) Co. Limited (錦威興旺(集團)有限公司), which is an investment holding company established in Hong Kong with limited liability. The ultimate beneficial owner of the Purchaser is Mr. Wu Qingmiao (吳清苗), who is a merchant engaged in the business of selling candle-related products and paper products.

FINANCIAL IMPACT OF THE DISPOSAL

Subject to final audit, it is expected that the Group will realise a gain on disposal (before taxation) of approximately RMB1.6 million, which is calculated by reference to the unaudited net asset value of the Target Company as at 30 April 2022.

The net proceeds from the Disposal are expected to be approximately RMB29.8 million. Immediately upon Completion, the Group will no longer have any equity interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

INTENDED USE OF PROCEEDS

The Group intends to use the net proceeds from the Disposal for working capital purpose.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company has been devoting significant amount of resources on the research and development of new products to cater to the needs of customers. Amid the outbreak of the coronavirus pandemic, the sales performance was adversely affected and the Target Company recorded net loss of approximately RMB21.6 million and RMB104.3 million for each of the two years ended 31 December 2021, respectively. Further, the Target Company also finds it more difficult to hire skilled labour and the labour costs have been rising in China driven by inflation in recent years.

The Group believes that the Disposal not only provides a good opportunity to reduce its loss from operations, but also replenishes its working capital needs and improves its liquidity position. The Group is expected to record a gain on disposal (before taxation) of approximately RMB1.6 million and a net cash inflow of approximately RMB29.8 million as a result of the Disposal.

In view of the above reasons and benefits, the Directors are of the view that (i) the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms. None of the Directors has a material interest in the Disposal.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

| | |
|-----------------------|--|
| “Board” | board of Directors |
| “Company” | China Jicheng Holdings Limited (stock code: 01027), a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Disposal |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |

| | |
|--------------------------------|--|
| “Consideration” | the consideration for the Disposal, being RMB30,000,000 |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the 100% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement |
| “Disposal Agreement” | the disposal agreement dated 17 June 2022 entered into between the Vendor and the Purchaser in relation to the Disposal |
| “Group” | the Company and its subsidiaries from time to time |
| “Independent Third Party(ies)” | person(s) or company(ies) who/which is (are) independent of the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, but for the purpose of this announcement, do not include, Hong Kong, Macau and Taiwan |
| “Purchaser” | Kam Wai Hing Wong (Group) Co. Limited (錦威興旺 (集團) 有限公司), a company established in Hong Kong with limited liability |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of HK\$0.032 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | 晉江集成輕工有限公司 (Jinjiang Jicheng Light Industry Co., Ltd. *), a company established in the PRC with limited liability |

* For identification purpose only

“Vendor”

Jicheng Umbrella Hong Kong Company Limited (集成傘業香港有限公司), a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 17 June 2022

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