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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 — ACQUISITION OF 100%
EQUITY INTERESTS OF THE TARGET COMPANY**

THE AGREEMENT

The Board is pleased to announce that on 30 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Capital 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 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 by the Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 30 April 2019 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Capital.

A summary of the principal terms of the Agreement is set out below:

THE AGREEMENT

Date: 30 April 2019

Parties: the Vendor; and
the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an independent third party who is not a connected person of the Company and is independent of and not connected with the Company or the Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Asset to be acquired

The Sale Capital represents 100% of the equity interest in the Target Company.

Consideration

Subject to the adjustments set out in the section headed "Profit Guarantee and Compensation" of this announcement, the Consideration for the sale and purchase of the Sale Capital shall be RMB29,000,000 (equivalent to approximately HK\$33,930,000), which shall be settled by the Purchaser to the Vendor upon Completion 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 in the principal amount of RMB24,000,000 (equivalent to approximately HK\$28,080,000) by the Company to the Vendor.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the historical financial performance and prospect of the Target Company; (ii) the Profit Guarantee; (iii) the preliminary valuation of 100% equity interest in the Target Company as at 31 March 2019 of RMB29,000,000 (equivalent to approximately HK\$33,930,000) as appraised by an independent professional valuer using market approach; and (iv) the reasons and benefits of the Acquisition as stated under the section headed "Reasons and benefits of the Acquisition" below.

Conditions Precedent

Completion is conditional upon satisfaction or waiver (as the case may be) of the following conditions:

- (a) the Purchaser being satisfied with the results of the due diligence review on the financial, business and legal aspects of the Target Company, and the said review does not show the existence of any material breach, false statement and/or misleading as to the representations, warranties and undertakings made under the Agreement;
- (b) the obtaining of a valuation report from an independent valuer (in the form and substance reasonably satisfactory to the Purchaser) on the Target Company of not less than RMB29,000,000 (equivalent to approximately HK\$33,930,000);
- (c) the Vendor having obtained all necessary consents, authorisations or approvals in relation to the Acquisition in accordance with the laws of HK, PRC and/or other applicable jurisdiction. If such consents, authorisations or approvals are conditional, the conditions have been fulfilled; and
- (d) on or before the Long Stop Date, there being no material breach as to the representations, warranties and undertakings given or made under the Agreement.

If any of the conditions precedent are not fulfilled or waived by 5:00 p.m. on the Long Stop Date (or such other date or time the Purchaser may agree in writing), the Agreement shall terminate and cease to have effect on the Long Stop Date save for the rights of the Purchaser and the Vendor to claim the other in respect of any antecedent breaches or any rights or remedies which shall have accrued prior to termination.

Profit Guarantee and Compensation

Pursuant to the Agreement, the Vendor irrevocably and unconditionally agrees, undertakes and warrants to the Purchaser that the audited net profits after tax (excluding any extraordinary items and one-off non-recurring items) of the Target Company for each of the three financial years ending 31 December 2019, 2020 and 2021 (the “**Guaranteed Period**”), shall not be less than RMB3,000,000 (equivalent to approximately HK\$3,510,000) (the “**Guaranteed Profit**”). If the actual net profit after tax (excluding any extraordinary items and one-off non-recurring items) of any of the three financial years during the Guaranteed Period (the “**Actual Profit**”) is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser with an amount in respect of the shortfall calculated according to the following formula (the “**Compensation Amount**”),

$$\text{Compensation Amount} = (\text{RMB3,000,000} - \text{Actual Profit of the relevant year}) \times 9.67$$

The Compensation Amount shall be paid by the Vendor to the Purchaser within ten (10) Business Days (or such other date as mutually agreed in writing by the Vendor and Purchaser from time to time) after the issue of the Auditor’s Certificate (as defined below). The Compensation Amount shall be settled by the Vendor to the Purchaser by way of set off against the principal amount of the Promissory Note and any remaining balance shall be paid by the Vendor in cash.

The audited financial statements of the Target Company shall be prepared in accordance with the generally accepted accounting principles of the PRC for each of the financial year end during the Guaranteed Period and reported on by the Company’s auditors within three (3) months after the expiry of the relevant financial year end during the Guaranteed Period, and the auditors shall issue a certificate (the “**Auditor’s Certificate**”) to certify the amount of the Actual Profit as shown in such audited financial statements.

For the avoidance of doubt, if the Actual Profit of any given year during the Guaranteed Period is negative, it shall be deemed to be zero. The maximum aggregated amount of the Compensation Amount payable by the Vendor to the Purchaser shall be the amount of the Consideration.

The Guaranteed Profit was arrived at after arm’s length negotiations between the Purchaser and the Vendor with reference to the business development of the Target Company. The management of the Group has enquired and discussed with the management of the Target Company regarding (i) historical financial performance of the Target Group; (ii) the existing business model and product mix of the Target Company; and (iii) prospect of the umbrella industry. In view of the aforesaid, the Board considers that the Profit Guarantee is acceptable.

Completion

Completion shall take place at 5:00 p.m. on the Completion Date (or such date or time as the parties to the Agreement may agree in writing) after all the conditions of the Agreement have been fulfilled (or being waived). Upon Completion, the Vendor shall deliver all relevant corporate documents of the Target Company to the Purchaser.

PROMISSORY NOTE

Pursuant to the terms and conditions of the Agreement, the Company will issue the Promissory Note in the principal amount of RMB24,000,000 (equivalent to approximately HK\$28,080,000) upon Completion on the following principal terms:

Issuer:	the Company
Principal amount:	RMB24,000,000 (equivalent to approximately HK\$28,080,000) (the “ Principal Sum ”)
Maturity:	the date falling on thirty-six (36) months after the date of issue of the Promissory Note (the “ Maturity Date ”)
Interest:	No interest will be payable
Repayment:	due and repayable on the Maturity Date (subject to adjustment by set off against the Compensation Amount (if any))
Transferability:	the holder of the Promissory Note may not assign, transfer, endorse or in any other way alienate any of the rights under the Promissory Note whether in whole or in part to any person without the prior written consent of the Company

INFORMATION OF THE GROUP, THE VENDOR AND THE TARGET COMPANY

The Purchaser is an indirect wholly-owned subsidiary of the Company and the principal activity of the Purchaser is investment holding. The Group is principally engaged in the business of in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft.

The Target Company is a trading company established in the PRC specializing in the sale of umbrellas and rain gears. It is principally engaged in the wholesale, retail and export of umbrellas, umbrella parts, accessories and plastic products. The Target Company focuses in particular on export sales of umbrellas to overseas customers mainly in Japan, Hong Kong, South Korea and Taiwan. For the year ended 31 December 2018, export sales and domestic sales in the PRC accounted for 81% and 19% of the total sales of the Target Company, respectively.

The Target Company adopts a business model which aims to provide quality products to satisfy the demand of its customers to the highest extent possible. After the Target Company receives orders from customers, it will source the most appropriate manufacturer in accordance with the specifications and order price of the customers. Pre-production samples will then be produced for confirmation by the customers. During the production process the Target Company undertakes tight quality control measures to ensure the quality of the products. The Target Company's highly experienced despatch team plans ahead and arranges for the delivery logistics in order to make timely delivery of the finished products to customers. The Target Company has recorded remarkable growth since establishment due to excellent customer relationships and services, effective distribution channels, seamless cooperation with factories and high capabilities of its staff.

In brief, the Target Company has the following competitive edges:

1. The management of the Target Company have rich experience in the umbrella industry and possess excellent sense of market demand and industry trend. Such abilities enable the Target Company to keep pace with the fast-changing markets and earn recognition from its customers.
2. The Target Company maintains high-quality customers in the PRC, Japan, South Korea, Taiwan, and other overseas countries. Its clientele includes Miniso (a well-known retail chain which has grown rapidly in the PRC in recent years), Banana Umbrella (a very popular online retailer of medium to high end umbrellas), FARENZ (a renowned umbrella enterprise in Korea), TAKEDA (a famous corporation in Japan) and a French operator of trendy and leisure accessories. The Target Company has established solid relationships with its customers.
3. The Target Company has identified an ideal business strategy of pursuing growth in both the domestic and foreign markets with emphasis in export sales to gain first-hand experience in the global trend of the industry while at the same time closely knit with the new retailing model adopted by its customers such as Miniso and Banana Umbrella. Most of the competitors of the Target Company find it difficult to adapt to the new operating mode required by these customers. The Target Company manages to overcome these difficulties and adopt a flexible and responsive approach to provide seamless services to these premier customers.
4. The Target Company has special strength in product design and quality assurance. Located in Jinjiang City, Fujian Province, the hub of top-quality umbrella processing bases and supply of umbrella parts in the PRC, it enjoys an unparalleled advantage in access to premier manufacturers and source of products in a highly cost effective manner.

Financial information of the Target Company set out below is a summary of the unaudited financial information of the Target Company for the two financial years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2018 (RMB'000)	For the year ended 31 December 2017 (RMB'000)
Revenue	75,061	88
Profit/(loss) before tax	3,498	(23)
Profit/(loss) after tax	2,629	(23)

According to the unaudited financial information of the Target Company, the net asset value of the Target Company as at 31 March 2019 was approximately RMB4,326,000 (equivalent to approximately HK\$5,061,000).

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic cloth and shaft.

In view of the strengths of the Target Company mentioned above, the Board considers the Target Company is a perfect target for vertical integration. The Acquisition aligns with the Company's strategy 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 has been exploring and developing business opportunities and projects. The Acquisition will immediately enhance the Group's customer base and capability to expand in the overseas markets, in particular, Japan, Taiwan and Korea. The Target Company's expertise in serving high end customers, flexible marketing strategies and excellency in logistics management in offering just-in-time delivery will be conducive to the Group's downstream expansion strategy. It is anticipated that the Acquisition will create synergies with the current business of the Group in the areas of product design, customer service, product diversification and development of new markets.

The Target Company is currently one of the distributors of the Group. The Company is familiar with the management, business model and the capabilities of the Target Company. That facilitates efficient and effective pre-acquisition due diligence of the Target Company and post-acquisition merger and consolidation of the Target Company with the Group.

The Company will finance the Acquisition by the internal resources.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition by the Purchaser of the entire registered and paid up capital of the Target Company from the Vendor pursuant to the terms and conditions of the Agreement;
“Agreement”	the sale and purchase agreement dated 30 April 2019 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Capital;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	any day excluding Saturdays, on which licensed banks in Hong Kong generally are open for general banking business;
“Company”	China Jicheng Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange;
“Completion”	completion of the Agreement;

“Completion Date”	the fifth (5th) Business Day following the fulfillment of the conditions precedent (or such other date as the parties to the Agreement may agree in writing);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the maximum consideration for the Acquisition, being RMB29,000,000 (equivalent to approximately HK\$33,930,000);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 May 2019 or such other date as the parties under the Agreement may agree in writing;
“PRC”	the People’s Republic of China;
“Promissory Note”	the promissory note to be issued by the Company to the Vendor on the Completion Date in the principal amount of RMB24,000,000 (equivalent to approximately HK\$28,080,000) to satisfy part of the Consideration;
“Purchaser”	Wing Wing (Hong Kong) Industrial Limited, a company incorporated in the Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Capital”	the registered and paid up capital in the amount of RMB1,000,000 (equivalent to approximately HK\$1,170,000), representing 100% of the equity interest in the Target Company;
“Share(s)”	ordinary share(s) of HK\$0.0016 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the issued Share(s);

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Jinjiang Jingting Trading Company Limited* (晉江兢霆貿易有限公司), a company established in the PRC with limited liability;
“Vendor”	Fu Kun* (付坤), a PRC citizen, who is the legal and beneficial owner of the Sale Capital; and
“%”	per cent.

* For identification only

Translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB0.8547.

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

Fujian Province, the PRC, 30 April 2019

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.