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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)

CHANGE OF USE OF PROCEEDS

Reference is made to the prospectus (the “**Prospectus**”) issued by China Jicheng Holdings Limited (the “**Company**”) dated 3 February 2015 in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited (the “**Global Offering**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus. The net proceeds from the Global Offering received by the Company, after deducting underwriting commissions and all related expenses, in the amount of approximately HK\$134.2 million (equivalent to approximately RMB106.0 million). As disclosed in the Prospectus, the net proceeds from the Global Offering would be used for the following purposes:

- (a) approximately RMB75.8 million, representing approximately 71.5% of the net proceeds from the Global Offering, will be utilised for increasing our production capacity by constructing a new factory upon obtaining the necessary approvals;
- (b) approximately RMB3.1 million, representing approximately 2.9% of the net proceeds from the Global Offering, will be utilised for paying the outstanding balance of the consideration in relation to the construction and completion of the new 10-storey office building in our Yonghe Production Site with a gross floor area of approximately 10,782 sq.m., which is expected to be completed in 2015;
- (c) approximately RMB12.8 million, representing approximately 12.1% of the net proceeds from the Global Offering, will be utilised for further expansion of our branded umbrellas by intensifying our marketing activities to promote our brand awareness both in the domestic and oversea markets, of which (i) approximately RMB11.5 million for placing advertisements in traditional media and internet and participating in major trade fairs in the PRC and overseas and investing in advertising and promotional materials for developing new markets of our umbrella products, and (ii) approximately RMB1.3 million for training our sales and technical teams;

- (d) approximately RMB3.7 million, representing approximately 3.5% of the net proceeds from the Global Offering, will be utilised to strengthen our technical expertise and know-how to ensure continuous improvement of our products, of which approximately (i) RMB1.9 million for recruiting more experts for our research and development team, (ii) approximately RMB0.6 million for subsidising our research and development staff to attend external training, and (iii) approximately RMB1.2 million for further cooperation with academic or professional institutions and enhancing our research and development capabilities; and
- (e) approximately RMB10.6 million, representing approximately 10% of the net proceeds from the Global Offering, will be applied for working capital and other general corporate purposes.

As at the date of this announcement, the Company had utilised approximately RMB44.6 million of net proceeds from the Global Offering. On 30 December 2016, the Board resolved to change the proposed use of the net proceeds from the Global Offering, and details of the original allocation, the revised allocation and the utilisation of the net proceeds, and the remaining balance after the revised allocation as at the date of this announcement are set out below:

Use of Net Proceeds	Original allocation <i>RMB (million)</i>	Revised allocation <i>RMB (million)</i>	Utilisation as at the date this announcement <i>RMB (million)</i>	Remaining balance after revised allocation <i>RMB (million)</i>
Increasing our production capacity by constructing a Factory (山東恒茂傘業有限公司)	75.8	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	3.1	–
Strengthen our technical expertise and know-how to ensure continuous improvement of our products	3.7	3.7	3.7	–
Additional working capital and other general corporate purposes	10.6	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	12.8	27.2	2.7	24.5
Buying new brand-names and investing in a trading company	–	36.9	–	36.9
Total	106.0	106.0	44.6	61.4

Save for the abovementioned changes which are set out in the section “REASONS FOR THE CHANGE OF USE OF PROCEEDS”, there is no other change of the use of the net proceeds from the Global Offering.

REASONS FOR THE CHANGE OF USE OF PROCEEDS

The Board has resolved to reallocate the unutilised amount of 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 their 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.

In line with its new business strategy as mentioned above, Jicheng Umbrella Hong Kong Limited (“**Vendor**”), a wholly owned subsidiary of the Group entered into a sale and purchase agreement dated 28 December 2016 with an independent third party, KY Star Trading (Hong Kong) Limited (“**Purchaser**”) for the disposal of the Group’s 100% equity interest (the “**Disposal**”) in the newly constructed factory 山東恒茂傘業有限公司 (Shandong Hengmao Umbrella Company Limited) (“**Shandong Hengmao**”). Pursuant to the agreement the Purchaser shall undertake the repayment of a loan in the approximate amount of RMB27,640,000 owed by Shandong Hengmao to the Group (“**Loan**”) and Shandong Hengmao’s payment obligation shall be released upon completion of the Disposal. The Purchaser shall pay to the Vendor a total amount of RMB34,800,000 for undertaking to repay the Loan and the purchase consideration for the 100% equity interest in Shandong Hengmao. It is expected that, the Company will record a gain of approximately RMB112,000 arising from the Disposal. The actual gain or loss as a result of the Disposal to be recorded is subject to audit and will be assessed after completion of the Disposal. The Directors is of the view that the Disposal is in the interest of the Shareholders and the Company as a whole.

The Board is of the view that there is no material change of the nature of business of the Group as set out in the Prospectus and that the above change of the use of the net proceeds from the Listing is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 30 December 2016

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.