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JiaChen Holding Group Limited

佳辰控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1937)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE

This announcement is made by JiaChen Holding Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

References are made to the Company’s announcement dated 6 September 2021 (the “**Disposal Announcement**”) in relation to disposal of 100,000,000 shares (the “**Shares**”) of the Company by Jiachen Investment Limited to Global Yunhong Group Limited, a company wholly-owned by Mr. Li Yubao (“**Mr. Li**”); and the announcement dated 20 October 2021 (the “**Establishment Announcement**”) in relation to establishment of two wholly-owned subsidiaries by the Company which will engage in (i) the research and development of new recyclable natural resources, energy retrieval systems and recycling of wastes from building materials; (ii) sales of environmental protection equipment; and (iii) consultation services for environmental protections (the “**New Business**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Disposal Announcement and the Establishment Announcement.

REASONS FOR AND BENEFIT OF ENGAGING IN THE NEW BUSINESS

As mentioned in the Company’s annual report for the year ended 31 December 2020, in order to combat the spread of COVID-19, the Central Government of the People’s Republic of China (the “**PRC**”) introduced preventive and control measures which led to delayed resumption of work and factory production, etc. As a result of such measures, the Group’s net profit for the year ended 31 December 2020 dropped significantly.

The Board therefore explored the possibility of any other business opportunities for the purpose of diversifying its income stream and the business risks.

As disclosed in the Establishment Announcement, the two wholly-owned subsidiaries are established in response to the national strategic objectives of “carbon emissions peak” and “carbon neutrality” with an aim of combating white pollution and promoting the technological research, development and application of new types of environmentally friendly materials that are fully degradable.

As disclosed in the Disposal Announcement, Mr. Li is a seasoned investor across various spectrums of the manufacturing industries including fully degradable non-woven melt-blown cloth and fully degradable tableware. It is intended that the Group will cooperate with Yunhong Group Co., Limited (“**Yunhong Group**”), a company incorporated in the PRC of which Mr. Li, who became a connected person of the Company subsequent to his acquisition of 100,000,000 Shares as referred to in the Disposal Announcement, is the ultimate controlling shareholder.

Yunhong Group takes a leading position in the international arena for the research and development of fully degradable non-woven melt-blown cloth and fully degradable tableware. It is intended that the Group will be one of the sales agents for Yunhong Group for the sale of fully degradable recycled environmental products. Yunhong Group plays a significant role in the establishment of a district agency operation of fully degradable non-woven melt-blown cloth and fully degradable tableware. It would also provide all necessary trainings required for the relevant persons of the Group to operate the New Business efficiently.

Having considered the anticipated market demand for the New Business, the industry development and the industry experience of Mr. Li, the Board considers that it is in the interest of the Group to engage in the New Business by co-operating with Yunhong Group.

BUSINESS MODEL OF THE NEW BUSINESS

The business model to be adopted by the Group on the New Business will be mainly on sales cooperation, franchised or agency operation. The Group will cooperate with Yunhong Group by becoming one of the sales agents for Yunhong Group for the sale of fully degradable recycled environmental products. The Group presently does not intend to undertake the production for fully degradable recycled environmental products and therefore the amount of capital investment for the Group would not be significant. It is anticipated that the capital outlay will mainly be expenses on recruiting additional sales personnel.

The Board considers that the Group can leverage on its existing sales and marketing team to reach out existing customers for the products under the New Business at a considerably insignificant capital investment.

The Group plans to utilise its strong existing sales and marketing teams, which are responsive to new technologies and products, to develop the New Business with the existing customers base and establish new customers base for the New Business. The Group also plans to utilise the existing sales team to penetrate the market districts by using the local human resources to develop the New Business.

Currently, the Directors and senior management of the Group do not have relevant experience in the New Business. Relevant persons including Directors and senior management will attend trainings provided by Yunhong Group to master their knowledge in the New Business. The training provided by Yunhong Group will mainly focus on the areas of product knowledge, utilisation and pricing, the operation flow in logistics, collections of sales proceeds and aftersales services. The Board believes that after receiving the training, the Directors and senior management will possess the relevant product and industry knowledge in the New Business.

COLLABORATION WITH YUNHONG GROUP

As at the date of this announcement, Global Yunhong holds 100,000,000 Shares which represents 10% equity interest in the Company. Global Yunhong is a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company. As Global Yunhong is wholly-owned by Mr. Li, Mr. Li is an associate of Global Yunhong and therefore a connected person of the Company. Other than the 10% equity interest in the Company beneficially held by Mr. Li and the cooperative arrangements to be entered into between the Group and Yunhong Group as referred to above, Mr. Li and his associates have no other relationship with the Company and its connected persons.

As at the date of this announcement, Mr. Li is not a Director or a director of any of the subsidiaries of the Group. The Company does not have intention to appoint Mr. Li as a Director.

The Company notes that any transactions entered into between the Group and Mr. Li and/or Yunhong Group will become notifiable and/or connected transactions under the Listing Rules. The Company will ensure compliance of the requirements under the Listing Rules regarding notifiable and/or connected transactions.

The Company is undertaking discussions with Mr. Li on any further co-operation arrangements on the New Business. As at the date of this announcement, no written agreement or arrangement has been entered into with Yunhong Group. The Company will publish relevant announcement when any form of written agreement or arrangement is entered into.

THE IPO BUSINESS

As disclosed in the prospectus of the Company dated 31 December 2019, the Group is principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services (the “**IPO Business**”). The Board considers that the IPO Business continues to be the main business of the Group and will continue to be the main business in the next twelve months. It will not be scaled down or disposed of at least in the next twelve months following the commencement of the New Business. The Company will not utilise any of the IPO proceeds to finance the New Business. The capital for the New Business will be financed from the internal resources of the Group.

Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

By Order of the Board
JiaChen Holding Group Limited
SHEN Min
Executive Director and Chairman

Changzhou, the People's Republic of China, 19 November 2021

As at the date of this announcement, the executive Directors are Mr. SHEN Min (Chairman), Mr. SHEN Minghui, Mr. CHEN Shiping (Chief Executive Officer) and Ms. LIU Hui; and the independent non-executive Directors are Mr. Xie Xing, Mr. Wang Li and Ms. Long Mei.