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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)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (1) THE STRATEGIC CO-OPERATION AGREEMENT (2) THE AGENCY CO-OPERATION AGREEMENTS (3) INTRODUCTION OF INVESTORS CO-OPERATION AGREEMENTS**

#### **STRATEGIC CO-OPERATION AGREEMENT**

On 31 December 2021, the Company and Yunhong Environmental entered into the Strategic Co-operation Agreement pursuant to which both parties shall co-operate in the following ways: (i) the Company and/or its subsidiaries will be appointed as sales agents for Yunhong Environmental for the sale of the Products in the Designated Areas; and (ii) the Company and/or its subsidiaries will assist in identifying potential investors for Yunhong Environmental to invest in Yunhong Environmental for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

#### **AGENCY CO-OPERATION AGREEMENTS**

On 31 December 2021, (i) Jiachen Carbon Neutral, an indirect wholly-owned subsidiary of the Company and Yunhong Environmental entered into the Agency Co-operation Agreement 1; and (ii) Yunhong Low Carbon Environmental, an indirect wholly-owned subsidiary of the Company and Yunhong Environmental entered into the Agency Co-operation Agreement 2, pursuant to which both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental are appointed as sales agents for Yunhong Environmental for the sale of the Products in the Designated Areas for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

## **INTRODUCTION OF INVESTORS AGREEMENTS**

On 31 December 2021, (i) Jiachen Carbon Neutral and Yunhong Environmental entered into the Introduction of Investors Agreement 1; and (ii) Yunhong Low Carbon Environmental and Yunhong Environmental entered into the Introduction of Investors Agreement 2, pursuant to which both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental will assist Yunhong Environmental in identifying potential investors to invest in Yunhong Environmental in the construction of production sites for the Products for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Global Yunhong holds 100,000,000 Shares. Global Yunhong is a substantial shareholder 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. As Yunhong Environmental is ultimately owned by Mr. Li, Yunhong Environmental is also an associate of Mr. Li and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Strategic Co-operation Agreement, the Agency Co-operation Agreements, the Introduction of Investors Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Group entered into the Agreements with Yunhong Environmental within the 12-month period, the transactions contemplated under the Agreements are considered and aggregated as a series of transactions under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the proposed annual caps for the transactions contemplated under the Agreements is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but are exempt from the circular (including independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the transactions contemplated under the Agreements, no Directors are required to abstain from voting on the relevant Board resolutions.

## **INTRODUCTION**

On 31 December 2021, the Company, Jiachen Carbon Neutral and Yunhong Low Carbon Environmental, both of which are indirect wholly-owned subsidiaries of the Company, entered into the Agreements with Yunhong Environmental for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive):

- (i) the Company entered into the Strategic Co-operation Agreement pursuant to which both parties co-operate in the following ways: (i) the Company and/or its subsidiaries will be appointed as sales agents for Yunhong Environmental for the sale of the Products in the Designated Areas; and (ii) the Company and/or its subsidiaries shall assist in identifying potential investors to invest in Yunhong Environmental;
- (ii) (a) Jiachen Carbon Neutral and Yunhong Environmental entered into the Agency Co-operation Agreement 1; and (b) Yunhong Low Carbon Environmental and Yunhong Environmental entered into the Agency Co-operation Agreement 2, pursuant to which both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental are appointed as sales agents for Yunhong Environmental for the sale of the Products in the Designated Areas; and
- (iii) (a) Jiachen Carbon Neutral and Yunhong Environmental entered into the Introduction of Investors Agreement 1; and (b) Yunhong Low Carbon Environmental and Yunhong Environmental entered into the Introduction of Investors Agreement 2, pursuant to which both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental will assist Yunhong Environmental in identifying potential investors to invest in Yunhong Environmental in the construction of production sites for the Products.

## **PRINCIPAL TERMS OF THE STRATEGIC CO-OPERATION AGREEMENT**

Date: 31 December 2021

Parties: Yunhong Environmental  
the Company

### **Strategic Co-operation**

Pursuant to the Strategic Co-operation Agreement, the Company and Yunhong Environmental co-operate in the following ways: (i) the Company and/or its subsidiaries will be appointed as sales agents for Yunhong Environmental for the sale of the Products in the Designated Areas; and (ii) the Company and/or its subsidiaries will assist in identifying potential investors for Yunhong Environmental to invest in Yunhong Environmental. The terms of the co-operation will be separately set out in Agency Co-operation Agreements and the Introduction of Investors Agreements.

## **Term**

The Strategic Co-operation Agreement is for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

## **PROPOSED ANNUAL CAP**

As the Strategic Co-operation Agreement only sets out the general terms of strategic co-operation and the detailed terms and conditions of the co-operation will be set out in the Agency Co-operation Agreements and the Introduction of Investors Agreements, no consideration or transaction amount is involved in the Strategic Co-operation Agreement.

## **PRINCIPAL TERMS OF THE AGENCY CO-OPERATION AGREEMENTS**

### **Agency Co-operation Agreement 1**

Date: 31 December 2021

Parties: Yunhong Environmental  
Jiachen Carbon Neutral

### **Agency Co-operation Agreement 2**

Date: 31 December 2021

Parties: Yunhong Environmental  
Yunhong Low Carbon Environmental

Save for the signing parties and the Designated Areas designated to Jiachen Carbon Neutral and Yunhong Low Carbon Environmental, the terms of the Agency Co-operation Agreement 1 and the Agency Co-operation Agreement 2 are the same.

## **Provision of Services**

Pursuant to the Agency Co-operation Agreements, Yunhong Environmental appoints both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental as sales agents to sell the Products in the Designated Areas.

After obtaining the written consent from Yunhong Environmental, Jiachen Carbon Neutral and Yunhong Low Carbon Environmental can extend the sale of the Products to areas other than the Designated Areas upon liaison with other sales agents.

Upon notification and obtaining the written consent from Yunhong Environmental, Jiachen Carbon Neutral and Yunhong Low Carbon Environmental can appoint sub-agents in the Designated Areas to sell the Products.

## **Designated Areas**

The Designated Areas under the Agency Co-operation Agreement 1 are Jiangsu Province, Zhejiang Province and Shanghai.

The Designated Areas under the Agency Co-operation Agreement 2 are Hubei Province, Hunan Province, Henan Province and Jiangxi Province.

## **Term**

The Agency Co-operation Agreements are for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

## **Termination**

Both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental have to meet the annual target sales amount prescribed by Yunhong Environmental. If either Jiachen Carbon Neutral or Yunhong Low Carbon fails to meet the annual target sales amount for two consecutive years, the relevant Agency Co-operation Agreements will automatically terminate.

If Jiachen Carbon Neutral or Yunhong Low Carbon Environmental performs any acts that damage the reputation of Yunhong Environmental, Yunhong Environmental shall have the right to terminate the relevant Agency Co-operation Agreement.

## **Price of the Products and Pricing Basis**

Pursuant to the Agency Co-operation Agreements, both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental shall purchase the Products from Yunhong Environmental at the price in accordance with the price list prescribed by Yunhong Environmental from time to time. Yunhong Environmental shall have the right to adjust the price of the Products and shall notify both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental ten days in writing prior to the price adjustment.

The selling price of the Products to the customers shall be determined by both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental at their own discretion. Jiachen Carbon Neutral and Yunhong Low Carbon Environmental shall be responsible for the expenses and staff salaries incurred in the sale of the Products.

## PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

### Historical Amounts

Since Jiachen Carbon Neutral and Yunhong Low Carbon Environmental are newly established companies and have not conducted any such transactions, no historical amount can be provided.

### Proposed Annual Caps

The proposed aggregated annual caps of the purchase amount of the Products under the Agency Co-operation Agreements for the following periods are set out below:

<b>Periods</b>	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023 <i>(both dates inclusive)</i>	1 January 2024 to 31 December 2024
<b>Annual caps (RMB)</b>	5,500,000	5,500,000	5,500,000

### Basis of Determination of the Proposed Annual Caps

The proposed annual caps in respect of the purchase amount of the Products under the Agency Co-operation Agreements have been determined by the Directors after taking into account the following factors:

- (i) the anticipated market demand of the Products in the Designated Areas; and
- (ii) the sales forecast of the Products projected by the Directors.

## PRINCIPAL TERMS OF THE INTRODUCTION OF INVESTORS AGREEMENTS

### Introduction of Investors Agreement 1

Date: 31 December 2021

Parties: Yunhong Environmental  
Jiachen Carbon Neutral

### Introduction of Investors Agreement 2

Date: 31 December 2021

Parties: Yunhong Environmental  
Yunhong Low Carbon Environmental

## **Provision of Services**

Pursuant to the Introduction of Investors Agreements, both Jiachen Carbon Neutral and Yunhong Low Carbon Environmental will assist Yunhong Environmental in identifying potential investors to invest in Yunhong Environmental in the construction of production sites for the Products.

## **Term**

The Introduction of Investors Agreements are for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive).

## **Termination**

The Introduction of Investors Agreements can be terminated under the following circumstances:

- (i) by mutual consent of both parties;
- (ii) as a result of a force majeure event that results in failure to achieve the purpose of the Introduction of Investors Agreements;
- (iii) either party expressly states that it fails to perform its principal obligations prior to the expiry date;
- (iv) either party delays in its performance of its principal obligations and upon notification by the other party, it still fails to perform; and
- (v) either party delays in its performance of its principal obligations or breach the terms resulting in failure to achieve the purpose of the Introduction of Investors Agreements.

## **Commission and Pricing Basis**

The commission payable by Yunhong Environmental under the Introduction of Investors Agreements shall be calculated at a percentage of 5–8% of the investment amount payable by the relevant investor. Yunhong Environmental shall settle the commission within 30 days upon receipt of the investment amount from the relevant investor.

Each of Jiachen Carbon Neutral and Yunhong Low Carbon Environmental shall be responsible for all expenses incurred in the process of identifying potential investors.

The percentage of commission was determined based on arm's length negotiations between the parties, taking into consideration factors including industry practice, the commission payable by companies providing similar services and the estimated efforts and time involved in the process of identifying potential investors.

## PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

### Historical Amounts

Since Jiachen Carbon Neutral and Yunhong Low Carbon Environmental are newly established companies and have not conducted any such transactions, no historical amount can be provided.

### Proposed Annual Caps

The proposed aggregated annual caps in respect of the commission receivable under the Introduction of Investors Agreements for the following periods are set out below:

Periods	1 January 2022	1 January 2023	1 January 2024
	to	to	to 31
	31 December 2022	31 December 2023	December 2024
	<i>(both dates inclusive)</i>		
<b>Annual caps (RMB)</b>	2,500,000	2,500,000	2,500,000

### Basis of Determination of the Proposed Annual Caps

The proposed annual caps of the commission under the Introduction of Investors Agreements have been determined by the Directors after taking into account the following factors:

- (1) the pricing principles of the commission payable by companies providing similar services;
- (2) the anticipated investment amount of potential investors having considered the scale of the production sites; and
- (3) the anticipated market demand of the Products projected by the Directors.



## **REASONS AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

As disclosed in the Announcement, the Board anticipates that there is a market demand for the Products and the Group can leverage on its existing sales, marketing team and the network to reach out existing customers for the Products and the potential investors at a considerably insignificant capital investment.

In addition, having considered the industry development and industry experience of Mr. Li, the national strategic objectives of combating white pollution and application and development of fully degradable environmental materials and the synergy of co-operation with Yunhong Environmental, the entering into of the Agreements will diversify the income stream and the business risks of the Group.

The Company is optimistic that the Agreements will broaden the income source of the Group in the long run, thereby enhancing the Group's overall financial performance.

Having reviewed the Products market and discussed with the management of Yunhong Environmental, the Board (including the independent non-executive Directors) is of the view that:

- (i) the terms of the Agency Co-operation Agreements offered by Yunhong Environmental are no less favourable than the terms offered to its other sales agents;
- (ii) the transactions contemplated under the Agency Co-operation Agreements and the Introduction of Investors Agreements will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and
- (iii) the terms of the Agency Co-operation Agreements and the Introduction of Investors Agreements and their proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Company is an investment holding company and the Group is principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services.

### **Jiachen Carbon Neutral**

Jiachen Carbon Neutral is a company established in the PRC. It is principally engaged in (i) 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 protection.

## **Yunhong Low Carbon Environmental**

Yunhong Low Carbon Environmental is a company established in the PRC. It is principally engaged in (i) 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 protection.

## **Yunhong Environmental**

Yunhong Environmental is a company established in the PRC. It is principally engaged in the manufacturing of fully degradable non-woven melt-blown cloth and fully degradable tableware products.

## **PRICING AND INTERNAL CONTROL POLICIES OF THE GROUP**

The Company will implement the following pricing and internal control policies and measures to ensure that the continuing connected transactions of the Group are conducted in accordance with the Listing Rules to safeguard the interests of the Company and the Shareholders as a whole:

- (i) the finance department of the Company is responsible for closely monitoring the purchase amount payable under the Agency Co-operation Agreements on a monthly basis and the amount of commission receivable under the Introduction of Investors Agreement on a regular basis to ensure that they do not exceed the proposed annual caps;
- (ii) further to (i) above, the Company will ensure that all the relevant regulatory requirements are complied with if it foresees that the proposed annual caps will be exceeded;
- (iii) the Company's external auditors will conduct an annual review on the pricing and proposed annual caps of the continuing connected transactions under the Agreements; and
- (iv) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions to ensure that (i) such transactions are conducted in the ordinary and usual course of business of the Group; (ii) the terms and conditions under the Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company will facilitate the provision of all necessary information to the independent non-executive Directors and the external auditors for the purpose of such review.

The Directors consider that there are adequate internal control and pricing and external supervision measures to ensure that the continuing connected transactions under the Agreements will comply with the relevant regulatory guidelines and the transactions contemplated thereunder and the proposed annual caps will be arrived at through arm's length negotiations and conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Global Yunhong holds 100,000,000 Shares. Global Yunhong is a substantial shareholder 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. As Yunhong Environmental is ultimately owned by Mr. Li, Yunhong Environmental is also an associate of Mr. Li and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Strategic Co-operation Agreement, the Agency Co-operation Agreements, the Introduction of Investors Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Group entered into the Agreements with Yunhong Environmental within the 12-month period, the transactions contemplated under the Agreements are considered and aggregated as a series of transactions under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the proposed annual caps for the transactions contemplated under the Agreements is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but are exempt from the circular (including independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the transactions contemplated under the Agreements, no Directors are required to abstain from voting on the relevant Board resolutions.

## DEFINITIONS

“Agency Co-operation Agreement 1”	the agency co-operation agreement dated 31 December 2021 entered into between Jiachen Carbon Neutral and Yunhong Environmental in relation to appointment of Jiachen Carbon Neutral as a sales agent in the sale of Products in the Designated Areas
“Agency Co-operation Agreement 2”	the agency co-operation agreement dated 31 December 2021 entered into between Yunhong Low Carbon Environmental and Yunhong Environmental in relation to appointment of Yunhong Low Carbon Environmental as a sales agent in the sale of Products in the Designated Areas
“Agency Co-operation Agreements”	the Agency Co-operation Agreement 1 and the Agency Co-operation Agreement 2

“Agreements”	collectively, the Strategic Co-operation Agreement, the Agency Co-operation Agreements and the Introduction of Investor Agreements
“Announcement”	the announcement of the Company dated 19 November 2021
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	JiaChen Holding Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	the transactions contemplated under the Agreements
“Designated Areas”	the designated areas for the sales of the Products as specified under the Agency Co-operation Agreements
“Director(s)”	directors of the Company
“Global Yunhong”	Global Yunhong Group Limited, a substantial shareholder of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Introduction of Investors Agreement 1”	the introduction of investors agreement dated 31 December 2021 entered into between Jiachen Carbon Neutral and Yunhong Environmental in relation to identification of potential investors by Jiachen Carbon Neutral for Yunhong Environmental

“Introduction of Investors Agreement 2”	the introduction of investors agreement dated 31 December 2021 entered into between Yunhong Low Carbon Environmental and Yunhong Environmental in relation to identification of potential investors by Yunhong Low Carbon Environmental for Yunhong Environmental
“Introduction of Investors Agreements”	the Introduction of Investors Agreement 1 and the Introduction of Investors Agreement 2
“Jiachen Carbon Neutral”	佳辰碳中和科技常州有限公司 (Jiachen Carbon Neutral Technology (Changzhou) Company Limited Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Yubao (李玉保)
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	The People’s Republic of China and for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region
“Products”	fully degradable non-woven melt-blown cloth and fully degradable tableware manufactured by Yunhong Environmental
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of ordinary shares of the Company
“Shares”	ordinary share(s) of HK\$0.01 in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Co-operation Agreement”	the strategic co-operation agreement dated 31 December 2021 entered into between the Company and Yunhong Environmental
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Yunhong Environmental” 運鴻環保科技有限公司 (Yunhong Environmental Technology Co., Ltd.\*), a company established in the PRC and is ultimately owned by Mr. Li

“Yunhong Low Carbon Environmental” 運鴻低碳環保科技湖北有限公司 (Yunhong Low Carbon Environmental Technology (Hubei) Company Limited\*), a company established in the PRC and an indirect wholly-owned subsidiary 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, 31 December 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.*

\* *for identification purposes*