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NEW CONCEPTS HOLDINGS LIMITED

創業集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2221)

INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE ACQUISITION

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

POSSIBLE ACQUISITION

The Board hereby announces that on 28 December 2022 (after trading hours of the Stock Exchange), Yisheng (Tianjin), an indirect wholly-owned subsidiary of the Company, entered into the MOU with the Vendors and the Target Company. Pursuant to the MOU, Yisheng (Tianjin) intended to acquire, and the Vendors intended to sell, 60% equity interest in the Target Company (the “**Possible Acquisition**”). The Target Company is a limited company incorporated in the PRC and the only legally authorised unit for the centralised and harmless treatment of sick and dead livestock and poultry in Taiyuan City. It principally engages in centralised and harmless treatment of sick and dead livestock and poultry in Taiyuan City of the PRC (the “**Project**”). As at the date of this announcement, the Target Company is owned as to 50% by Vendor A, 30% by Vendor B and 20% by Party C.

Principal terms of the MOU are set out as follows:

Date : 28 December 2022 (after trading hours)

Parties : Yisheng (Tianjin);
the Vendors; and
the Target Company.

Possible Acquisition : It is intended that Yisheng (Tianjin) will acquire, and the Vendors will sell, 60% equity interest in the Target Company at a consideration of not more than RMB31 million.

Due Diligence : Within 2 weeks from the date of the MOU, Yisheng (Tianjin) may arrange personnel to conduct financial and legal due diligence on the Target Company.

Upon completion of the due diligence and subject to Yisheng (Tianjin) agrees there is no material risk in the Possible Acquisition, the parties will enter into the Formal Agreement.

Undertakings : **Vendors' Undertaking**

The Vendors undertook that the Target Company will complete the inspection work of the Project by 28 February 2023 and obtain government's approval of the Project by 31 January 2023, failing which Yisheng (Tianjin) may terminate the MOU and the Formal Agreement without any liability (if the Possible Acquisition is materialised and the parties have signed the Formal Agreement), and the Vendors shall return the consideration already paid by Yisheng (Tianjin) (if any) within 3 days together with an interest accrued from the payment date of the intention deposit up to the refund date at the rate of 10% per annum.

Yisheng (Tianjin)'s undertaking

In the event the Possible Acquisition is materialised and completed, and the net profit generated from the Project reaches RMB6 million or above in the 1st year after the Project has commenced operation, the Target Company shall pay the Vendors a bonus of RMB2.5 million prior to profit distribution of the 1st year. If the net profit generated from the Project reaches RMB8 million or above in the 2nd year after the Project has commenced operation, the Target Company shall pay the Vendors a bonus of RMB2 million prior to profit distribution of the 2nd year.

- Proposed consideration : In the event the parties enter into the Formal Agreement, it is proposed that the consideration shall be paid in 2 installments. For the 1st installment, Yisheng (Tianjin) will pay the Vendors an amount of RMB15 million after the following conditions are fulfilled:
- a. the Vendors and the Target Company having provided Yisheng (Tianjin) with comprehensive and detailed information related to the Project and all other related existing financial and business information for the due diligence to be conducted by Yisheng (Tianjin);
 - b. the Vendors having undertaken to apply RMB9 million of the 1st installment for settlement of outstanding construction and equipment fees of the Project) and will provide Yisheng (Tianjin) with relevant proof and bank vouchers; and
 - c. the Vendors having pledged all the equity they held in the Target Company to Yisheng (Tianjin) and completed the equity pledge registration.

The remaining amount (which is proposed to be RMB16 million) will be paid in the manner to be agreed by the parties in the Formal Agreement.

- Exclusivity : The Vendors undertook that within the validity period of the MOU, they will not negotiate with any third party or carry out any act that will hinder the Possible Acquisition.
- Termination : In the event the Formal Agreement is not entered into within 3 months from the date of the MOU, the MOU will terminate and cease to be effective.
- Non-legally Binding : Save for the clauses in relation to due diligence, exclusivity, termination, confidentiality and governing law, the MOU is not legally binding on the parties.

In the event the Possible Acquisition is materialised, the substantive terms thereto, such as amount of consideration, payment manner of the consideration, the proportion of equity to be acquired by Yisheng (Tianjin), will be subject to parties' further negotiation and agreed upon in the Formal Agreement.

In the event that the Formal Agreement is materialised and entered into, it is expected that the Possible Acquisition may constitute a discloseable transaction of the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors, Party C and the Target Company is an independent third party of the Company and its connected persons (as defined under the Listing Rules).

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

Dead livestock and poultry and related products carry pathogens. If they are not treated properly or disposed of arbitrarily, they will easily cause soil and water pollution and the secondary transmission and spread of diseases, which is not conducive to the sustainable development of animal husbandry and the protection of the ecological environment. Not only it will seriously pollute the environment, but it may also spread major animal diseases. At the same time, the illegal processing and sale of sick and dead livestock and poultry would seriously affect food safety and caused serious public health incidents.

In April 2022, the Ministry of Agriculture and Rural Affairs issued the “Administrative Measures for the Harmless Treatment of Diseased Livestock and Poultry and Diseased Livestock and Poultry Products”, which clarified that the harmless treatment of sick and dead livestock and poultry is an important part of the prevention and control of animal diseases, and also more providing more specific guidance over related collection, harmless disposal, supervision and management, and legal liability. As such, the Company considers that the Possible Acquisition of the project will enable help the Group to ride on the business opportunities along with the increase of awareness of public health and environmental protection.

Shareholders and/or investors should note that the Possible Acquisition may or may not materialise as no formally binding documentation has been executed between the parties and negotiations are still in progress. Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

DEFINITION

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

“Board”	the Board of Directors
“Company”	New Concepts Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 2221)
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement relating to the Possible Acquisition which may or may not be entered into among the parties to the MOU
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 28 December 2022 entered into among the Yisheng (Tianjin), the Vendors and the Target Company in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of 60% equity interest in the Target Company by Yisheng (Tianjin) from the Vendors pursuant to the MOU
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a limited company incorporated in the PRC which is owned as to 50%, 30% and 20% by Vendor A, Vendor B and Party C, respectively, as at the date of this announcement
“Vendor A”	a PRC citizen and a merchant who directly owned 50% in the Target Company as at the date of this announcement
“Vendor B”	a PRC citizen and a merchant who directly owned 30% in the Target Company as at the date of this announcement

“Vendors”	Vendor A and Vendor B
“Yisheng (Tianjin)”	宜升(天津)環境技術有限公司 (Yisheng (Tianjin) Environmental Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*

By Order of the Board
New Concepts Holdings Limited
Zhu Yongjun
Chairman and Executive Director

Hong Kong, 28 December 2022

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Mr. Pan Yimin and Mr. Lee Tsi Fun Nicholas; the non-executive Directors are Mr. Sui Guangyi, Dr. Ge Xiaolin and Dr. Zhang Lihui; and the independent non-executive Directors are Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, MH, JP.