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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)

SUBSCRIPTION AND ISSUE OF CONVERTIBLE BOND UNDER GENERAL MANDATE

SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 3 October 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds with an aggregate principal amount of US\$5,000,000.

The initial Conversion Price of HK\$3.50 represents a discount of approximately 19.54% to the benchmark price of the Shares, which is the higher of (i) the closing price of HK\$4.35 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) the average closing price of HK\$4.218 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the date of the Subscription Agreement.

Subject to completion of the Subscription, the gross proceeds from the Subscription will be approximately HK\$39,057,000. The net proceeds, after deducting all relevant costs and expenses, will be approximately HK\$38,000,000, which is intended to be used for the Company's investment in its kitchen waste and water treatment businesses and as general working capital.

The Conversion Shares will be allotted and issued pursuant to the General Mandate. The Conversion Shares to be issued upon full conversion of the Convertible Bond shall rank *pari passu* and carry the same rights and privileges in all respects as any other Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL

Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 3 October 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber. The principal terms of the Subscription Agreement are set out as follows:

Date: 3 October 2017 (after trading hours)

Parties: The Company (as issuer)

Subscriber

Subscription

Subject to the fulfilment or waiver (if applicable) of the conditions precedent to the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe for the Convertible Bonds in the aggregate principal amount of US\$5,000,000.

The proceeds from the issue of the Convertible Bonds (net of expenses) will be used for the Company's investment in its kitchen waste and water treatment businesses and as general working capital.

Conditions precedent of the Subscription Agreement

Completion of the Subscription is conditional upon the fulfilment or waiver (save for conditions (a) and (b)) of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted its approval for the listing of, and permission to deal in, the Conversion Shares;
- (b) the Company and the Subscriber having complied, satisfied or obtained all relevant statutory and regulatory requirements, approvals and consents in relation to the issue of the Convertible Bonds (if any);
- (c) the Subscriber having completed or receipt the due diligence, legal documentation and legal opinions on the Group and all of which are up to the reasonable satisfaction of the Subscriber;
- (d) Jumbo Grand Enterprise Development Limited, a substantial Shareholder of the Company, having entered into a deed of guarantee for the payment of interest, yield to maturity and outstanding principal amount of the Convertible Bond during the period from the Completion Date and up to the earlier of the maturity date of the Convertible Bond or the date when no principal amount of the Convertible Bond remains outstanding upon full redemption or full conversion of Conversion Shares; and

(e) Warranties remaining true and accurate in all respects.

If the conditions as set out in the above are not fulfilled or waived within 30 calendar days immediately following the date of the Subscription Agreement (or such other date as may be agreed among the parties to the Subscription Agreement in writing), the obligations and liabilities of the parties under the Subscription Agreement shall be null and void and none of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save for any antecedent breaches of the terms and conditions thereof, provided that the Company shall return the consideration for the Subscription Shares (if any) to the Subscribers respectively.

The entering of the deed of guarantee of Jumbo Grand Enterprise Development Limited under condition (d) above is conducted on normal commercial terms or better terms to the Company and has not been secured by any asset of the Group.

Completion of the Subscription

Completion of the Subscription shall take place on the Completion Date (or such other date as the parties to the Subscription Agreement may agree in writing) after all conditions pursuant to the Subscription Agreement to be satisfied shall have been so satisfied or waived (as the case may be).

THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out as follows:

Principal amount:	US\$5,000,000
Form and denomination of the Convertible Bond:	The Convertible Bond will be issued only in fully registered form in the denomination of US\$ and in the integral multiples of US\$100,000 thereof.
Interest:	6.5% per annum payable on a semi-annual basis
Yield to maturity:	12% per annum internal rate of return applied on the principal amount
Conversion Shares:	11,159,000 Shares
Maturity Date:	the date falling five (5) years after the Completion Date
Redemption Price:	price which guarantees 12.0% per annum internal rate of return for the Subscriber (inclusive of interests received up to the date of redemption)
Conversion period:	any time on or after 30 days from the Completion Date until 7 days prior to the Maturity Date

Conversion Price

The initial Conversion Price of HK\$3.50 per Conversion Share represents:

- (i) a discount of approximately 19.54% to the closing price of HK\$4.35 per Share quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 17.02% to the average closing price of HK\$4.218 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement.

Adjustment to the Conversion Price

The initial Conversion Price will be subject to adjustment for, amongst other things, subdivisions, consolidations, reclassification of Shares or capitalisation of profits or reserves which may have a diluting effect on the Subscriber.

If the volume weighted average of the trading prices (the “Volume Weighted Average Price”) of the Shares for each day during the period of 20 consecutive trading days immediately prior to any of 31 December 2017, 31 December 2018 and 31 December 2019 (each a “Reset Date”) is lower than the Conversion Price on the relevant Reset Date, the Conversion Price will be adjusted so that the Volume Weighted Average Price in respect of such Reset Date shall be the Conversion Price in effect from, and including, the relevant Reset Date. The adjusted Conversion Price shall not be lower than 80% of initial Conversion Price.

The Conversion Price shall be subject to a full ratchet anti-dilution adjustments in the event that the Company issues additional equity securities, other than the shares reserved for employee shares as share option scheme, i.e. if the per Share price of the newly issued Shares is lower than the then Conversion Price, Conversion Price shall be downward adjusted to the same as the price of the newly issues Shares.

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$3.50 per Share, a total of 11,159,000 Conversion Shares may be issued, representing approximately 2.18% of the number of Shares in issue as of the date of this announcement and approximately 2.14% of the enlarged number of Shares in issue assuming exercise of the conversion right attaching to the Convertible Bonds in full.

Early redemption

The Company will, at the option of the Bondholder(s), redeem all or some of the Convertible Bond at its early redemption price in the following situations:

- (i) The Company having given not less than 30 days’ irrevocable notice to the Bondholder(s) from the Completion Date to the date before the Maturity Date, provided that at least 75% in aggregate principal amount of the Convertible Bonds has already been converted, redeemed, purchased or cancelled;
- (ii) the Bondholder exercises its right to require the Company to redeem all or any of the Convertible Bonds held by it upon the third anniversary from the issue date of the Convertible Bond(s) to the date before the Maturity Date;
- (iii) in the event that there was a change of control of the Company;

(iv) in the event that the Shares ceased to be listed on the Stock Exchange; and

(v) when there is an event of default by the Company.

The early redemption price is the price which guarantees 12.0% per annum return for the Bondholder(s) (inclusive of the interests received up to the date of early redemption) (the “Early Redemption Price”).

Transferability

The Bondholder may transfer any or all of the Convertible Bonds saved as such transfer is (i) subject always to the Listing Rules; and (ii) the Bondholder has given not less than 10 Business Days written notice to the Company.

Ranking of the Conversion Shares

The Conversion Shares, when allotted, issued and fully paid, will rank, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

General Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued under the General Mandate. Accordingly, the allotment and issue of the Conversion Shares will not be subject to approval of the Shareholders. Under the General Mandate, the Company is authorised to allot and issue up to 102,265,398 Shares. Up to the date of this announcement, no Share has been allotted and issued under the General Mandate. The General Mandate will be utilised as to approximately 10.91% after allotment and issue of the Conversion Shares in full at the initial Conversion Price.

INFORMATION ON THE GROUP AND THE SUBSCRIBER

The Group is principally engaged in the business of construction works and environmental protection.

The Subscriber is Forest Water Environmental Engineering Co., Ltd., a company listed on the Taiwan Stock Exchange (Stock Code: 8473) and engaged in industrial waste water treatment and sea-water desalination technology.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are independent of and not a connected person of the Company.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in construction works and environmental protection. Over the past few months, the Company published various announcements in the completion and possible acquisition(s) of kitchen waste treatment and water treatment projects respectively. Subject to completion of the issue of the Convertible Bond, the gross proceeds from the issue of the Convertible Bond is intended to be used for the Company’s investment in its kitchen waste and water treatment businesses and as general working capital.

Subject to completion of the Subscription, the gross proceeds from the Subscription will be approximately HK\$39,057,000. The net proceeds, after deducting all relevant costs and expenses will be approximately HK\$38,000,000, which is intended to be used for the general working capital for the operation and development of the kitchen waste and water treatment business as mentioned above.

The Directors (including independent non-executive Directors) consider that the Subscription Agreement and transactions contemplated thereunder are on normal commercial terms determined after arm's length negotiations among the parties, fair and reasonable and in the interests of the Company and the Shareholders as whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon exercise of the conversion rights in full at the initial Conversion Price under the Convertible Bonds.

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares in full at the initial Conversion Price	
	Number of shares	% of shareholdings (Approximately)	Number of shares	% of shareholdings (Approximately)
Jumbo Grand Enterprise Development Limited (Note 1)	77,000,000	15.06	77,000,000	14.74
Prosper Power Group Limited (Note 2)	76,500,000	14.96	76,500,000	14.64
Simple Gain International Limited (Note 3)	40,000,000	7.82	40,000,000	7.65
CEF Concept Holdings Limited (Note 4)	55,400,000	10.83	55,400,000	10.60
Go Million International Limited (Note 5)	24,600,000	4.81	24,600,000	4.71
Ms. Qin Shulan (Note 6)	3,676,000	0.72	3,676,000	0.70
Dr. Zhang Lihui (Note 7)	48,000	0.00	48,000	0.00
Mr. Choy Wai Shek, Raymond, MH. JP (Note 8)	480,000	0.10	480,000	0.10
Dr. Tong Ka Kok (Note 8)	480,000	0.10	480,000	0.10
The Bondholder	—	—	11,159,000	2.14
Other public Shareholders	<u>233,142,992</u>	<u>45.60</u>	<u>233,142,992</u>	<u>44.62</u>
Total	<u>511,326,992</u>	<u>100.00</u>	<u>522,485,992</u>	<u>100.00</u>

Notes:

- As at the date of this announcement, Jumbo Grand Enterprise Development Limited is wholly-owned by Mr. Zhu Yongjun (chairman of the Board and an executive Director). Mr. Zhu is the brother-in-law of Mr. Allan Warburg, an ultimate beneficial owner of Simple Gain International Limited, a shareholder of the Company.
- As at the date of this announcement, Prosper Power Group Limited is owned as to 75% by Mr. Chu Shu Cheong.

3. As at the date of this announcement, Simple Gain International Limited is wholly-owned by Allan Warburg Holdings Limited, which is in turn wholly owned by Mr. Allan Warburg.
4. As at the date of this announcement, CEF Concept Holdings Limited is wholly-owned by CEF IV Holdings Ltd., which is in turn owned as to 92.55% by China Environment Fund IV, L.P., an investment fund incorporated in the Cayman Islands.
5. As at the date of this announcement, Go Million International Limited is wholly owned by Mr. Chu Kingston Chun Ho (a non-executive Director).
6. Ms. Qin Shulan is an executive Director.
7. Dr. Zhang Lihui is a non-executive Director.
8. Mr. Choi Wai Shek, Raymond *MH. JP* and Dr. Tong Ka Lok are independent non-executive Directors.
9. The percentage figures included in this table are subject to rounding adjustment.

GENERAL

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“2017 AGM”	the annual general meeting of the Company held on 25 September 2017
“Associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the person(s) who is/are for the time being the holder(s) of the Convertible Bond
“Business Day”	any day (excluding a Saturday or Sunday or public holiday in Hong Kong or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which banks are generally open for business in Hong Kong
“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)

“Completion Date”	the third Business Day (or such other date as the parties to the Subscription Agreement may agree in writing) after all conditions to be satisfied pursuant to the Subscription Agreement have been satisfied or waived (as the case may be), being the date on which completion of the Subscription shall take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price of HK\$3.50 per Conversion Share
“Conversion Shares”	new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement upon conversion of Convertible Bond(s) by the Bondholder(s)
“Convertible Bond”	the 6.5% convertible bond due 2022 in the aggregate principal amount of US\$5,000,000 issued or to be issued by the Company with the benefit of and subject to the provisions of the conditions substantially in the form set out in the schedule of the Subscription Agreement
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the 2017 AGM, pursuant to which a maximum of 102,265,398 new Shares may fall to be allotted and issued as at the date of this announcement
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Subscriber”	Forest Water Environmental Engineering Co., Ltd., a company incorporated in and listed on the Taiwan Stock Exchange (Stock Code: 8473) Taiwan with limited liability
“Subscription”	the subscription of the Convertible Bond by the Subscriber pursuant to the Subscription Agreement under the General Mandate

“Subscription Agreement”	the subscription agreement relating to the Subscription of Convertible Bond entered into between the Company and the Subscriber on 3 October 2017
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“US\$”	United State dollars, the lawful currency of the United State of America
“%”	per cent

In this announcement, translation of US\$ into HK\$ is based on the exchange rate of HK\$1: US\$7.8113. No representation is made that any amounts in HK\$ and US\$ can be or could have been converted at the above exchange rate or any other rates.

By Order of the Board
New Concepts Holdings Limited
Cai Jianwen
Executive Director

Hong Kong, 3 October 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Ms. Qin Shulan and Mr. Cai Jianwen; the non-executive Director are Dr. Zhang Lihui and Mr. Chu Kingston Chun Ho; and the independent non-executive Directors are Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, MH, JP.