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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)

DEED OF SETTLEMENT IN RELATION TO THE SHARE PURCHASE AGREEMENT AND SUBSCRIPTION AGREEMENTS

Reference is made to the announcements of New Concepts Holdings Limited (the “Company”) dated 3 May 2018, 23 May 2018, 31 May 2018 and 21 June 2018 (the “Announcements”) in relation to, among others, the proposed issue of 5,380,000 Subscription Shares under the General Mandate pursuant to the Share Purchase Agreement entered into among the Purchaser, the Vendors and the Guarantors on 3 May 2018 and Subscription Agreements entered into between the Company and the Subscribers on 31 May 2018; failure of payment of the aggregate subscription price of HK\$18,830,000 under all 13 Subscription Agreements by Guarantor A (i.e. Mr. Henrik Melinder, who is a former senior corporate consultant of the Company); and the Group and the aforesaid Subscribers’ intention to bring possible legal actions against Vendor A and Guarantor A (the “Claim”) for the aforesaid failure to pay the aggregate subscription money. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

The Company, the Purchaser, the Subscribers as set out in the Company's announcement dated 31 May 2018 save for Holma Consulting AB which had not delivered its subscription money of HK\$1,764,000 to Guarantor A prior to Guarantor A failing to pay the aggregate subscription price (hereinafter referred to as the "Settlement Parties"), Vendor A and Guarantor A entered into a deed of settlement (the "Settlement Deed") for the purpose of settling the Claim.

Date: 22 August 2018 (after trading hours)

Parties: the Company;
the Purchaser;
the Settlement Parties; and
Vendor A and Guarantor A

Settlement

The Settlement Parties acknowledged that Guarantor A and Vendor A also entered into 4 other deeds of settlement with 4 other parties to settle those parties' claims (the "Other Claims") against Guarantor A and Vendor A. Guarantor A and Vendor A intended to settle the Claim and the Other Claims with 21,068,571 Shares in the Company (the "Pledged Shares") which are held by Vendor A as at the date of this announcement.

Pursuant to the Settlement Deed, Guarantor A and Vendor A shall carry out the Settlement Mechanism (as set out below) to sell the Pledged Shares and apply the sale proceeds generated therefrom to settle the Claim and the Other Claims. The settlement amount for the Claim under the Settlement Deed is HK\$17,066,000, representing the aggregate subscription price of the Settlement Parties under the Subscription Agreements.

Pursuant to the deeds in relation to the Other Claims, the aggregate settlement payable by Vendor A and Guarantor A for settling the Other Claims comprises approximately HK\$3,253,000 and 6,515,600 Shares. Accordingly, Vendor A and Guarantor A shall sell the Pledged Shares and raise an Aggregated Settlement Outcome (the "Aggregated Settlement Outcome") of approximately HK\$20,319,000 and 6,515,600 Shares to settle the Claim and the Other Claims.

Standstill and Wavier

Each of the Company, the Purchaser and the Settlement Parties shall enter into a deed of standstill and waiver (the “Standstill Deeds”) in favour of Vendor A and Guarantor A, respectively, pursuant to which the Company, the Purchaser and the Settlement Parties shall undertake to Vendor A and Guarantor A that:

1. Throughout the duration of the Settlement Deed, each of the Company and the Settlement Parties shall not exercise their rights to claim arising out of and/or in connection with the Claim, the settlement under the Settlement Deed, and the Subscription Agreements (the “Indemnified Matters”);
2. Upon completion of the Settlement Deed on the Final Settlement Date (as defined below), each of the Company and the Settlement Parties shall waive all rights, release and hold harmless Vendor A and Guarantor A from any further claim from the Indemnified Matters; and
3. Upon completion of the Settlement Deed on the Final Settlement Date, each of the Company and the Settlement Parties shall indemnify Vendor A and Guarantor A from and against all claim, action, responsibility, loss, cost, expense from the Indemnified Matters.

Notwithstanding the above, if an event of default occurs under the Settlement Deed, the Standstill Deeds shall terminate and be of no further force and effect.

Settlement Mechanism:

The parties agreed the settlement shall progress in the following steps:

1. ***Within 3 business days from 24 August 2018 or such other date as agreed by the Company to Guarantor A (the “Commencement Date”):***
 - (a) Vendor A shall lodge the Pledged Shares with the Company and/or its designated parties; and
 - (b) the Company will deliver electronic versions of the Standstill Deeds (signed on the part of the Company and Settlement Parties) to Guarantor A in exchange for electronic versions of the Standstill Deeds (signed on the part of Vendor A and Guarantor A).

2. *From 29 August 2018, or the date on which the conditions preceded are completed or such other date as agreed by the Company and Guarantor A in writing (the “Closing Date”) to the Final Settlement Date:*

Subject to the fulfillment of the conditions precedent to the Settlement Deed,

- (a) the Company and Guarantor A shall instruct, or arrange to instruct, relevant brokers to identify buyers for the Pledged Shares to raise the Aggregate Settlement Outcome. The Pledged Shares shall be sold upon terms set by Guarantor A (as market conditions vary), but shall be subject to the followings:
 - (i) sales of the Pledged Shares shall be on the open market but may be sold in a block in an off-market transaction (but limited to independent third parties who are not connected persons of the Company);
 - (ii) the selling price of the Pledged Shares shall not be discounted for greater than 30% of the open market price and subject to a price floor of HK\$2.45 per Share (the “Price Control Mechanism”);
 - (iii) Once the proceeds from the sale of the Pledged Shares meet the Aggregate Settlement Outcome, sales of the Pledged Shares shall immediately be ceased; and
 - (iv) All cash proceeds of the sales made by the brokers shall be remitted to the Company;
- (b) the Company shall provide necessary consent or approval to Guarantor A and Vendor A upon request in order to facilitate the above sales process; and
- (c) the Company will deliver original versions of the Standstill Deeds (signed on the part of the Company and Settlement Parties) to Guarantor A, in exchange for electronic versions of the Standstill Deeds (signed on the part of Vendor A and Guarantor A) within 3 days from the Closing Date.

Conditions Precedent:

Settlement Mechanism(2) above is subject to the following conditions precedent:

- 1. approval from the Stock Exchange and any other applicable regulatory bodies (if applicable);
- 2. the lifting of the suspension on trading of the Shares on the Stock Exchange; and
- 3. mutually agreeable transaction documentation (as appropriate).

In-part Settlement

The Company and Guarantor A may, in writing, vary the terms of the Settlement Mechanisms and the settlement amount under the Settlement Deed if it is clear from a practical point of view that the Aggregated Settlement Outcome cannot be achieved either in whole or part within the prescribed time (for instance, the proceed raised from sales of all the Pledged Shares is less than the Aggregated Settlement Outcome).

Final Settlement Date:

The Final Settlement Date shall be the first Business Day falling after the end of a period being: 4 (four) months after (a) the date on which Mr. Zhu Yongjun (on behalf of the Company) notifies Guarantor A in writing that that the suspension of the Shares on the Stock Exchange has been lifted; or (b) the Closing Date, whichever occurs later, or such date as may be agreed between Guarantor A and the Company in writing.

In the event that the full settlement to all relevant parties is achieved earlier than the Final Settlement Date provided for above, Vendor A and the Company shall determine by agreement a new and earlier Final Settlement Date in writing and the Company shall notify all the relevant parties.

Event of Default:

Occurrence of any of the following events shall constitute an event of default under the Settlement Deed:

1. failure to perform any of the Settlement Mechanism(s) within 14 business days following the applicable due date;
2. breach of representations, warranties or covenants not cured within specified cure periods;
3. default by Guarantor A or Vendor A, its affiliates or its subsidiaries of any material agreement;
4. change of control in Vendor A; and
5. bankruptcy, insolvency, winding up, liquidation, etc. of any of Guarantor A or Vendor A, its affiliates or its subsidiaries.

Enforcement:

At any time after an event of default has occurred which is continuing, the non-defaulting party may, by notice to the defaulting party:

1. cancel all outstanding obligations of the non-defaulting party under the Settlement Deed;
2. declare that the remaining balance of the aggregate settlement amount, together with all other amounts accrued or outstanding under the Settlement Deed, shall be immediately due and payable;
3. declare that the Settlement Deed shall be immediately terminated, whereupon all the unsatisfied obligations of defaulting party shall be re-instated as they existed immediately prior to the execution of the Settlement Deed and the relevant settlement parties shall have full right and be entitled to enforce the Claim;
4. declare that the Company shall sell or transfer such number of Pledged Shares without the consent of Guarantor A but subject to the Price Control Mechanism until the settlement outcome is achieved.

REASONS FOR AND BENEFITS OF THE SETTLEMENT DEED

The purpose of entering into the Settlement Deed is to resolve the Claim and facilitate the completion of the Subscription Agreements.

Apart from the benefit that the gross proceeds from the Subscription Shares used for the Company's investment in its kitchen waste and water treatment businesses and as general working capital, the successful subscription of the Shares by the Subscribers may also provide incentive to such Subscribers, who are the key employees of the Target Group, to work in the Target Group after completion of the Group's acquisition of the Target Group.

On one hand, if the Settlement Deed can proceed to completion, the Company can obtain the proceed from the Subscription Shares without incurring time and costs for pursuing the Claim against the Subscribers, Vendor A and/or Guarantor A. On the other hand, if the Settlement Deed fails to proceed to completion, the Company can resort back to raising legal claim against the aforesaid parties for the breach of the Subscription Agreements and the Share Purchase Agreement.

Having considered the above, the Directors (including independent non-executive Directors) consider that the Settlement Deed are fair and reasonable and in the interests of the Company and the Shareholders as whole.

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

Hong Kong, 23 August 2018

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 is 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.