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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)

UPDATE ON DISPOSAL OF 100% EQUITY INTEREST IN STAND ASCENT LIMITED

Reference is made to the announcement (the “**Announcement**”) of the Company dated 6 July 2018 in relation to, among others, the Disposal Agreement dated 29 June 2018 entered into among Progressive Merit (a wholly-owned subsidiary of the Company), Fujian Jiahe; Mr. Xu, Mr. Muhammad, Mr. Kok, Mr. Joifadi and Mr. Angga (as amended and supplemented by a supplemental agreement thereto dated 6 July 2018). Pursuant to the Disposal Agreement, Progressive Merit agreed to sell and Fujian Jiahe agreed to purchase 100% equity interest in Stand Ascent at the consideration ranges from approximately US\$5.32 million to approximately US\$7.73 million. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

PROGRESS OF THE DISPOSAL AGREEMENT

As disclosed in the Announcement, completion of the Disposal Agreement is subject to, among others, SPM Company having completed entering into the SPM Power Purchase Agreements with PLN, an Indonesia state-owned power utility company, on or before 31 October 2018 (“**SPM-PPAs**”) (or such other date as agreed by Fujian Jiahe in writing) (the “**PPA Condition**”). As at the date of this announcement, the PPA Condition has not been fulfilled due to PLN’s arrangements on the review of the qualifications of the qualified suppliers, etc.

SECOND SUPPLEMENTAL DEED TO THE DISPOSAL AGREEMENT

The Board would like to announce that on 15 August 2019 (after trading hours), the Company, Mr. Zhu Yongjun (“**Mr. Zhu**”) (the Chairman and a substantial shareholder of the Company) and the parties to the Disposal Agreement entered into the second supplemental deed to the Disposal Agreement (the “**Second Supplemental Deed**”), pursuant to which the parties agreed that with effect from the date of the Second Supplemental Deed:

- (a) the PPA Condition shall be waived by Fujian Jiahe, and accordingly all conditions precedent under the Disposal Agreement are fulfilled or waived and the parties shall proceed to completion of the Disposal Agreement; and
- (b) the consideration of 85% equity interest in SPM Company ranging from approximately US\$3.12 million to US\$5.53 million (as set out under section headed “*The Disposal Agreement — Consideration — (b) SPM Company*” of the Announcement) shall be amended as follows:
 - (i) the initial consideration of the 85% equity interest in SPM Company shall be US\$4,324,800 (the “**Initial SPM Consideration**”), which was determined in accordance with the Disposal Agreement assuming the tariff at US8.3 cents pWh (the “**Expected Tariff**”), being the expected tariff to be offered by PLN to SPM Company under the SPM-PPAs if the same were entered as per contemplated under the Disposal Agreement;
 - (ii) In the event SPM Company enters into the SPM-PPAs with PLN on or before 31 October 2019, and the tariff offered by PLN thereunder (the “**Actual Tariff**”) is different from the Expected Tariff, the consideration of the 85% equity interest in SPM Company shall be adjusted pursuant to the Disposal Agreement at such Actual Tariff accordingly, and the relevant party shall pay the difference between the adjusted consideration and the Initial SPM Consideration to the other party within 5 days from the date of the SPM-PPAs (or such other date as agreed by Fujian Jiahe and Progressive Merit in writing); and
 - (iii) In the event SPM Company does not enter into the SPM-PPAs with PLN on or before 31 October 2019, or the Actual Tariff is lower than US7.9 cents pWh; Mr. Zhu, Mr. Muhamad and Mr. Xu shall undertake to indemnify Fujian Jiahe of any loss and expenses arising therefrom.

The Company and Progressive Merit shall have no obligations or liabilities to the other parties to the Disposal Agreement (as supplemented by the Second Supplemental Deed)

Completion of the Disposal Agreement shall take place in accordance with the provisions thereunder irrespective SPM Company and PLN will enter into the SPM-PPAs, ultimately and irrespective of the amount of the Actual Tariff if the SPM-PPAs, are entered into.

Despite Mr. Zhu is a Director and a substantial Shareholder and thus a connected person of the Company, the aforesaid undertaking provided by him to the Group is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules as such undertaking is provided on normal commercial terms or better and not required to be secured by the assets of the Group.

As disclosed in the Announcement, pursuant to the deed of undertaking executed by Mr. Xu and Mr. Muhammad on 6 July 2018, both of them undertook to let the Company have the first priority to receive the proceeds from the disposal of their interests in DSE Company, SPM Company, or other Indonesian companies which also engage in hydropower plant operations, so as to make up the any possible shortfall of the from the Disposal Agreement and to pay interest at 10% per annum DSE Receivables, SPM Receivables and advances to Mr. Xu and Mr. Muhammad since the relevant inception dates. On 15 August 2019, the Company, Mr. Xu and Mr. Muhammed agreed to reduce the interest rate to 8% per annum, and the estimate aggregated interest since relevant inception dates up to 11 August 2019 would be reduced from approximately HK\$20.9 million to HK\$16.8 million.

REASONS FOR AND BENEFITS OF THE SECOND SUPPLEMENTAL DEED

The Disposal Agreement is aimed to resolve the previous long-unresolved matters in the hydropower plants of DSE Company and SPM Company.

Since the entering of the Disposal Agreement for almost a year ago, completion of the transactions thereunder has been delayed for a prolonged period due to the non-fulfillment of the SPM-PPAs Condition, which is primarily caused by the suppliers' qualification arrangements of PLN. Taking into account that (i) Fujian Jiahe agreed to waive the PPA Condition at no further expense to the Group and the Disposal Agreement can proceed to completion accordingly; (ii) the Initial SPM Consideration falls within the range of consideration under the Disposal Agreement; and (iii) reduce the interest rate to 8% under the deed of undertaking provided by Mr. Xu and Mr. Muhammad as an incentive to early complete the Disposal Agreement, the Board considers the Second Supplemental Deed can help to resolve the completion delay issue within the ambit of the Disposal Agreement.

In light of the aforesaid, the Directors believe that the terms of the Second Supplemental Deed and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AGREEMENT

Based on the Initial SPM Consideration, the total consideration under the Disposal Agreement (being the aggregate of the consideration for the disposal of 49% equity interest in DSE Company and 85% equity interest in SPM Company (together with the DSM Indebtedness and the SPM Indebtedness) shall be approximately US\$6.53 million.

The completion of the Disposal Agreement may result in an unaudited gain as a result of: (i) reverse of impairment of approximately HK\$15.9 million recognised for DSE Receivables and SPM Receivables in previous years, (ii) interest income of approximately HK\$16.8 million from Mr. Xu and Mr. Muhammed under the deed of undertaking at 8% per annum, taking into account no significant change in foreign exchange fluctuation at the actual settlement date.

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

Hong Kong, 15 August 2019

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Ms. Qin Shulan, Mr. Cai Jianwen and Mr. Lee Tsi Fun, Nicholas; 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.