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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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ACQUISITION OF EQUITY INTEREST AND CAPITAL INJECTION

Reference is made to the announcements of New Concepts Holdings Limited (the “**Company**”) dated 23 January 2017 and 16 August 2019 (the “**Announcements**”) in relation to, among others, (i) the Acquisition Agreement and Capital Injection Agreement (collectively, the “**Agreements**”) both dated 23 January 2017 in relation to the acquisition of 80% equity interest and capital injection in Hefei Feifan Bio Technology Co., Ltd. (“**Hefei Feifan**”); and (ii) the supplemental agreement (the “**Supplemental Agreement**”) to the Agreements dated 16 August 2019 in relation to the clarification on the Guarantee Revenue to be performed by Hefei Feifan under the Agreements. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

The Board would like to provide further information on the background, the reasons for and benefits of entering into the Supplemental Agreement as follows:

As disclosed in the section headed “*Management Discussion and Analysis — III Environmental Protection Business*” in the Company’s 2019 annual report, despite Hefei Feifan commenced commercial operations in March 2018 (having obtained the official commencement of commercial operations notice from relevant government authority), the plant of Hefei Feifan had not been operated at its normal capacity and was undergoing technology improvement. As such, the parties to the Agreements had negotiated on whether it is appropriate to calculate the Guaranteed Revenue from March 2018.

Although the Group may, pursuant to the Agreements and rely on the fact that Hefei Feifan was officially able to commence commercial operation in March 2018, claim against the Vendor and the Creditor for the short fall between the actual revenue of Hefei Feifan made in the first year after March 2018 and the first year Guaranteed Revenue of RMB6,205,000; the Board determined not to enforce such right but to enter into the Supplemental Agreement after having considered the following factors:

- (i) Pursuant to the Agreements, the amount recoverable by the Group for the shortfall between the actual revenue of Hefei Feifan and the Guaranteed Revenue is limited to the dividends entitled to the Vendor and the Creditor in Hefei Feifan (i.e. 40% of the profit of Hefei Feifan for the relevant financial year). However, due to the undergoing of the technology improvement, Hefei Feifan recorded a loss of approximately RMB1,220,000 for the first year after March 2018. Therefore, there was no dividend entitled to the Vendor and Creditor and thus no money to cover such shortfall even if the Group claims against the Vendor and the Creditor;
- (ii) Upon completion of Hefei Feifan's technology improvement, the production capacity of its plant will reach the normal capacity of 200 tons/day, which renders Hefei Feifan be able to take up more orders from its clients meet the Guaranteed Revenue, which is financially more beneficial to the Group as compared to claiming against the Vendor and the Creditor as set out in (i) above;
- (iii) Despite Hefei Feifan has commenced commercial operation, it has yet to reach its designated capacity and thus undergone the technology improvement. The shareholders of Hefei Feifan including the Group, the Vendor and the Creditor considered that an optimal operation of Hefei Feifan, through technology improvement, shall prevail the recovering the shortfall of the Guaranteed Revenue. Besides, since Hefei Feifan will continue be jointly operated by the Group together with the Vendor and the Creditor for a considerable term, the Board is of the view that the maintenance of a friendly cooperative relation with the Vendor and the Creditor will be beneficial to the future operation of Hefei Feifan in the long run. As such, the entering of the Supplemental Agreement a further clarification on when should the calculation of the Guaranteed Revenue take place under the Agreements is reasonable; and
- (iv) Taking into account the fertilizer production operation at full capacity of Hefei Feifan shall undergo a testing and trial period immediately after completion of the technology improvement, the Board is of the view that it is reasonable to reduce the first year Guaranteed Revenue from RMB6,205,000 to RMB5,950,000.

In light of the aforesaid factors, the Board is of the view that the transactions contemplated under the Supplemental Agreement is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 22 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.