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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN LOUDI FANGSHENG ENVIRONMENTAL TECHNOLOGY CO. LTD.

On 5 October 2020 (after trading hours of the Stock Exchange), the Purchasers, the Vendors (both being wholly-owned subsidiaries of the Company), the Target Company and the Guarantors entered into the Agreement, pursuant to which the Purchasers conditionally agreed to acquire and the Vendors conditionally agreed to dispose of 100% equity interest in the Target Company at a cash consideration of RMB30,000,000 (approximately HK\$34,140,000).

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement.

On 5 October 2020 (after trading hours of the Stock Exchange), the Purchasers, the Vendors (both being indirect wholly-owned subsidiaries of the Company), the Target Company and the Guarantors entered into the Agreement. The principal terms and conditions of the Agreement are summarised below:

THE AGREEMENT

Date: 5 October 2020

Parties: Purchasers: Purchaser A and Purchaser B;
Vendors: Vendor A and Vendor B, both being indirect wholly-owned subsidiaries of the Company;
Target Company; and
Guarantors: the Company and Mr. Zhu.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Purchasers and the ultimate beneficial owner(s) of Purchaser A is independent from the Company and its connected persons. Mr. Zhu is the chairman, an executive Director and a substantial Shareholder of the Company.

Subject matter: As at the date of this announcement, the Target Company is owned as to 80% by Vendor A and 20% by Vendor B. Vendor B and Hunan Qitai Venture Investment Co., Ltd.* (湖南啟泰創業投資有限公司) (“**Hunan Qitai**”) entered into a share transfer agreement dated 8 September 2020 pursuant to which Hunan Qitai agreed to dispose of its 20% equity interest in the Target Company to Vendor B, details of which are set out in the Company announcement dated 8 September 2020. As at the date of this announcement, such transfer of the 20% equity interest from Hunan Qitai to Vendor B is completed.

Pursuant to the Agreement, the Vendors conditionally agreed to sell 100% equity interest in the Target Company to the Purchasers, among which: (i) Vendor A shall sell 48% equity interest to Purchaser A for RMB14.28 million and 32% equity interest to Purchaser B for RMB9.52 million ; and (ii) Vendor B shall sell 12% equity interest to Purchaser A for RMB3.72 million and 8% equity interest to Purchaser B for RMB2.48 million.

Consideration: The consideration for 100% equity interest in the Target Company is RMB30,000,000 and shall be settled by the Purchasers in cash by bank transfer as follows:

(1) the Deposit:

Within 3 business days from after the signing of the Agreement and fulfillment (or waiver, if applicable) of all the conditions precedent, the Purchaser A and Purchaser B shall pay deposits (the “**Deposits**”) of RMB3.72 million and RMB2.48 million to a custodian bank account jointly held by the Purchasers and Vendor B, respectively, while Vendor B shall complete the business registration of the Hunan Qitai Transfer within 7 business days upon transfer of the Deposits.

(2) the 1st Installment:

The Vendors shall assist the Target Company to submit the application in relation to the business registration of the Disposal. Within 3 business days from the said business registration application, Purchaser A and Purchaser B shall pay RMB5.88 million and RMB3.92 million to Vendor A, respectively, and the aforesaid Deposits in the total amount of RMB6.20 million shall be set off as the 1st installment payable to Vendor B.

(3) the 2nd Installment:

Within 3 business days upon completion of the business registration of the Disposal, Purchaser A and Purchaser B shall pay RMB2.40 million and RMB1.60 million to Vendor A, respectively.

(4) the 3rd Installment:

Within 3 business days upon the 180th day from completion of the business registration of the Disposal, Purchaser A and Purchaser B shall pay RMB3.60 million and RMB2.40 million to Vendor A, respectively.

(5) the 4th Installment:

Within 3 business days upon the 360th day from completion of the business registration of the Disposal, Purchaser A and Purchaser B shall pay RMB2.40 million and RMB1.60 million to Vendor A, respectively.

Upon the completion of the business registration of the Disposal, Purchaser A and Purchaser B will secure their payment obligations under the Agreement with their respective equity interest in the Target Company. Such security shall be enforceable for a period of 24 months or upon the full payment of the consideration (whichever the earlier).

Basis of
consideration:

The consideration was determined after arm's length negotiations between the parties.

Conditions
Precedent:

Payment of the consideration is subject to fulfillment or waiver by the Purchasers (save and except for condition (5) below which cannot be waived) of the following conditions precedent:

- (1) The urban management bureau of Loudi having approved the Purchasers to acquire all entire equity interest and assets of the Target Company, the reorganisation of the Target Company and change of shareholder;
- (2) the debt clearance as at the date of the Agreement having been agreed among the Target Company, the Vendors, the Guarantor and other companies within the Group become effective;
- (3) the settlement plans of all outstanding claims, debts (including but not limited to payables, other payables), guarantees, contingent guarantees and/or liabilities, outstanding contracts or such other signed contracts which have not yet been performed of the Target Company as at the date of the Agreement, having been confirmed by the relevant parties and become effective;

- (4) the written approval of the Target Company in respect of the Agreement and the transaction thereunder (including but not limited to the board resolutions and/or shareholders' resolutions of the Target Company), and such other documents required to be produced by the Vendors for the business registration of the equity transfer under the Agreement;
- (5) the Agreement and the transaction thereunder having complied with applicable laws, rules and the Listing Rules or obtained relevant consent and approval from the Stock Exchange or such other regulatory authorities (if applicable).

Guarantee: The Company and Mr. Zhu will jointly guarantee for the Vendors and the Target Company's performance of their responsibilities and obligations under the Agreement.

As at the date of this announcement, Mr. Zhu is the chairman, an executive Director and a substantial Shareholder and therefore a connected person of the Company. Accordingly, the guarantee provided by him under the Agreement constitutes a financial assistance to the Company under Chapter 14A of the Listing Rules. Since such guarantee is provided by Mr. Zhu on normal commercial terms or better, and such guarantee is not required to be secured by any assets of the Group, the guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Completion: Upon completion of the Agreement, the Target Company will be held as to 60% and 40% by Purchaser A and Purchaser B, respectively. It will cease to be a subsidiary of the Company and will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in the PRC and is principally engaged in the kitchen waste treatment business in Loudi, the PRC. As at the date of this announcement, its kitchen waste treatment plant is still under construction and has not commenced business operation.

	For the year ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue*	2,265	17,030
(Loss) profit before taxation	(3,690)	4,212
(Loss) profit after taxation	<u>(3,382)</u>	<u>3,236</u>

The net asset values of the Target Company based on its management accounts as at 30 June 2020 was approximately RMB43,520,000.

* Included in the amounts of approximately RMB1,369,000 and RMB16,305,000 for years end 31 March 2020 and 2019, respectively represented the construction revenue recognised under “Build – Operate – Transfer” model.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Group is principally engaged in (i) construction works in Hong Kong; and (ii) environmental protection.

Purchaser A, 浙江飛普達環保有限公司, is a limited company incorporated in the PRC which principally engages in businesses including environmental protection related consultation, resources recycling and utilisation services, and household wastage equipment production. Its ultimate beneficial owner is Mr. Zhou Pinwen (周品文), a PRC citizen.

Purchaser B, Mr. He Xiaoming (何小明), is a PRC citizen.

Vendor A, Fancy Ascent Limited (宜昇有限公司), is a limited company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company.

Vendor B, Beijing Yisheng Environmental Technology Co., Ltd* (北京宜升環保能源科技有限公司), is a limited company established in the PRC and an indirect wholly-owned subsidiary of the Company.

Mr. Zhu is the chairman, an executive Director and a substantial shareholder of the Company.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be consolidated in the Group. With reference to the unaudited net asset values of the Target Company Group of approximately RMB43,520,000 (approximately HK\$49,526,000) as of 30 June 2020, and having considered the settlement of certain payables of approximately RMB1,092,000 (approximately HK\$1,243,000) to be borne by the Vendors prior to the completion, the estimated loss on the Disposal was approximately RMB14,612,000 (approximately HK\$16,629,000). In addition, an impairment of approximately RMB555,000 (approximately HK\$631,000) would to be recognised in relation to the debt clearance among the group companies of the Company. As such, a aggregate loss of approximately RMB15,167,000 (approximately HK\$17,260,000) is expected as a result of the Disposal, taking into account no significant change in foreign exchange fluctuation at the actual settlement date.

Such calculation is only an estimate provide for illustrative purposes and the accounting treatment of the Disposal will be subject to further review by the auditors of the Company.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal will be used for: (i) approximately RMB6.1 million will be applied as previous funding for acquisition of 20% equity interest in the Target Company to be paid to Hunan Qitai; (ii) approximately should be RMB1.1 million to be used as settlement of certain payables of approximately should be RMB1.1 million to be borne by the Vendors prior to completion of the Disposal; and (iii) remaining amount of approximately RMB22.8 million will be used for the Group's general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As set out in the announcement dated 8 September 2020, the Directors have been aiming to strengthen the Group's financial position and liquidity by, among others, divesting part of its non-core assets/projects under development and/or construction stages as well as to integrate its business portfolio.

Despite of the Disposal, the Group has no intention in divesting its operations in the environmental protection business, in particular, the kitchen waste treatment business. Indeed, measures and policies were (to be) implemented on household waste sorting across the major cities in the PRC since 2019 and therefore it should bring momentous opportunity to the PRC kitchen waste treatment industry.

The Directors consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 5% but all are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempt from the Shareholders' approval requirement.

DEFINITION

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

“Agreement”	the sale and purchase agreement dated 5 October 2020 entered into among the Purchasers, the Vendors, the Target Company and the Guarantors in respect of the Disposal
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 100% equity interest in the Target Company by the Vendors to the Purchasers pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Guarantors”	the Company and Mr. Zhu
“HK\$”	Hong Kong dollar, 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
“Mr. Zhu”	Mr. Zhu Yongjun, the chairman, an executive Director and a substantial shareholder of the Company
“Purchaser A”	浙江飛普達環保有限公司, a limited liability company incorporated in the PRC

“Purchaser B”	何小明, a PRC citizen
“RMB”	Renminbi, the lawful currency of the PRC
“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”	Loudi Fangsheng Environmental Technology Co. Ltd* (婁底市方盛環保科技有限公司), an indirect wholly-owned subsidiary of the Company and registered in the PRC with limited liability
“%”	per cent

* For identification purpose only

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

Hong Kong, 5 October 2020

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB0.87872: HK\$1. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun and Mr. Lee Tsi Fun Nicholas; the non-executive Directors are 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.