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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 DISCLOSEABLE TRANSACTION CONTRACTING AGREEMENTS

BACKGROUND

Reference is made to the Company's announcement dated 31 August 2021 in relation to the Previous Contracting Agreement dated 31 August 2021 entered into between Xuancheng Company (an indirect wholly-owned subsidiary of the Company) and Contractor A, pursuant to which Contractor A was appointed as the contractor for the construction and engineering works of the kitchen waste treatment plant, and ancillary facilities located at the Xuancheng Plant.

To facilitate the construction progress of the Xuancheng Plant, Xuancheng Company and Contractor A agreed that Xuancheng Company will further appoint a new contractor (i.e. Contractor B) and reallocate certain construction and engineering works under the Previous Contracting Agreement from Contractor A to Contractor B.

To implement the aforesaid changes, on 16 December 2021, Xuancheng Company (i) terminated the Previous Contracting Agreement and enter into a new contracting Agreement (i.e. Contracting Agreement A) with Contract A; and (ii) entered into a contracting Agreement (i.e. Contracting Agreement B) with Contract B. Details of the Termination Agreement and the Contracting Agreements are as follows:

TERMINATION AGREEMENT

Pursuant to the Termination Agreement, Xuancheng Company and Contractor A agreed that each party's rights and obligations under the Previous Contracting Agreement shall cease and terminate with effect from 16 December 2021, save for the works performed before the date of the termination agreement, if any.

CONTRACTING AGREEMENT A

- Parties: (i) Xuancheng Company; and
(ii) Contractor A
- Subject Matter: Contractor A shall be responsible for engineering works including but not limited to site cleaning; civil engineering construction; equipment procurement, installation, commissioning, testing and inspection; and perform all necessary work and services related to its guarantee obligations during the 1-year warranty period upon completion of the construction and engineering work; and provision of all necessary labour, materials, machinery, equipment, tools, consumables, transportation services and other related services.
- Consideration: Not exceed RMB75,000,000 (equivalent to approximately HK\$91,968,000), which comprises:
- Work (1) procurement of equipment: approximately RMB55.07 million;
 - Work (2) installation work: approximately RMB8.00 million;
 - Work (3) outdoor construction works: approximately RMB10.00 million; and
 - Work (4) consultation services: approximately RMB1.93 million
- Payment terms: *Deposits*
- Within thirty (30) days from the date of Contracting Agreement A, Xuancheng Company shall pay 30% of the consideration of Work (1), and 20% of the consideration of Work (2)–(4) as deposits for the relevant works. Deposit for Work (3) will be released to Contractor A as consideration for Work (3) in 2 monthly installments after Work (3) has completed up to 70%.
- Xuancheng Company shall make monthly progress payments for the consideration of Work (2) and (3) amounts to 80% of the construction and engineering work completed for that month, except that no progress payment is required for initial 3 months.

Xuancheng Company shall pay up to 60% of the consideration Work (1) after the equipment and machinery has been delivered to Xuancheng Plant and Xuancheng Company shall pay up to 90% after same has been installed, inspected and tested.

After inspection of the completed construction and engineering work of Xuancheng Plant, Xuancheng Company should have paid up to 97% of the total consideration. Xuancheng Company shall retain 3% of the total consideration, i.e. RMB2,250,000 (equivalent to approximately HK\$2,759,000), as security money during the one-year warranty period and shall release the same to Contractor A upon expiry of the warranty period.

Construction Period: The construction period is expected to be 240 days, which shall be calculated from the date upon Xuancheng Plant is ready to commence construction work and Xuancheng Company having served to the Contractor a commencement notice.

CONTRACTING AGREEMENT B

Parties: (i) Xuancheng Company; and
(ii) Contractor B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Contractor B and its ultimate beneficial owner is independent of the Company and its connected persons.

Subject Matter: Contractor B shall be responsible for the construction of building structures for workshops or rooms for pre-treatment, water treatment, boiler and power generator and administrative buildings

Consideration: Not exceed RMB35,000,000 (equivalent to approximately HK\$42,918,000)

Payment terms: Within thirty (30) days from the date of Contracting Agreement B, Xuancheng Company shall pay 20% of the consideration as deposit. Such deposit will be released to Contractor B as consideration in 2 monthly installments after the work has completed up to 70%.

After inspection of the completed construction and engineering work of Xuancheng Plant, Xuancheng Company should have paid up to 97% of the consideration. Xuancheng Company shall retain 3% of the consideration, i.e. RMB1,050,000 (equivalent to approximately HK\$1,288,000), as security money during the one-year warranty period and shall release the same to Contractor B upon expiry of the warranty period.

Construction Period: The construction and engineering works to be carried out by Contractor B is expected to be completed by 31 May 2021.

Basis of determination of Consideration under both Contracting Agreements

The consideration under each of the Contracting Agreements was determined based on the expected scope and complexity of the construction to be performed, the expected cost of the project and the prevailing market price for carrying out the construction and civil engineering works of similar scale and complexity. The Board is of the view that the consideration under each of the Contracting Agreements is fair and reasonable after having evaluated the experience and capability of the relevant contractors.

INFORMATION OF THE GROUP AND XUANCHENG COMPANY

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

Xuancheng Company is a limited company incorporated in the PRC which principally engages in kitchen waste treatment business, through Xuancheng Plant, in Xuancheng, Anhui province, the PRC and has not commenced construction and operation. Xuancheng Plant planned capacity is 300 tons per day. As at the date of this announcement, Xuancheng Company entered into a service concession agreement with Xuancheng Urban Management and Law Enforcement* 宣城市城市管理綜合執法局 for a period of 30 years under Build-Operate-Transfer (“BOT”) model.

INFORMATION OF THE CONTRACTORS

Contractor A is a limited company incorporated in the PRC which principally engages in housing construction, municipal infrastructure projects related contracting construction services. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China (國務院國有資產監督管理委員會).

Contractor B is a limited company incorporated in the PRC which principally engages in construction engineering in buildings, highway pavement and steel structure etc. the best of the Directors' knowledge, information and belief having made all reasonable enquiries, its ultimate beneficial owner is Mr. Xue Yan He* (薛晏河), a PRC citizen.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT AND THE CONTRACTING AGREEMENTS

Contractor B is an experienced contractor in Anhui province where the Company considered the local workforces and background of Contractor B shall be able to facilitate and speed up the construction for Xuancheng Plant.

Having considered the aggregated contract price of Contracting Agreements is same as the contract price under the Previous Contracting Agreement, and with similar payment terms, the Directors (including the independent non-executive Directors) are of the view that the terms of the Termination Agreement and the Contracting Agreements are fair and reasonable, on normal commercial terms; and the transaction contemplated thereunder is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Contracting Agreements exceeds 5% but all are less than 25%, the transactions contemplated under the Contracting Agreements constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITION

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

“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
“Contracting Agreement A”	the contracting agreement to be entered into between Xuancheng Company and Contractor A in respect of part of the construction of Xuancheng Plant

“Contracting Agreement B”	the contracting agreement to be entered into between Xuancheng Company and Contractor B in respect of part of the construction of Xuancheng Plant
“Contracting Agreements”	Contracting Agreement A and Contracting Agreement B
“Contractor A”	中化學交通建設集團第二工程有限公司, a limited liability company established in the PRC
“Contractor B”	廣德潤和建設有限公司, a limited liability company established in the PRC
“Director(s)”	director(s) of the Company
“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
“Previous Contracting Agreement”	the contracting agreement dated 31 August 2021 entered into between Xuancheng Company and Contractor A in respect of the construction of Xuancheng Plant
“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
“Termination Agreement”	the termination agreement entered into between Xuancheng Company and Contractor A on 16 December 2021 in relation to the termination of the Previous Contracting Agreement
“Xuancheng Company”	宣城市西冲生物科技有限公司, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

“Xuancheng Plant” the kitchen waste treatment plant to be developed and operated by Xuancheng Company in Xuancheng, Anhui Province, the PRC

“%” per cent

* *For identification purpose only*

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

Hong Kong, 17 December 2021

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