

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 16 August 2019 and 22 August 2019 (the “Announcements”) in relation to, among others, the Acquisition Agreement and Capital Injection Agreement both dated 23 January 2017 and entered into among the Vendor, the Creditor, the Purchaser (a wholly-owned subsidiary of the Company) and Hefei Feifan Bio Technology Co., Ltd. (“Hefei Feifan”), pursuant to which the Purchaser obtained 60% equity interest in Hefei Feifan, and the Vendor and Creditor undertook that the Guaranteed Revenue from the sales of the organic fertilizer of Hefei Feifan shall be no less than RMB5,950,000 and RMB12,410,000 for the first two years upon completion of the up-grading of its building and construction works, and not less than RMB17,063,800 per year thereafter until expiration of its right to operate in its business.

Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

BACKGROUND

As set out in the Announcements, the parties agreed and confirmed the completion of the up-grading of the building and construction works of Hefei Feifan should refer to the date when the following conditions are fulfilled: (i) the normal production capacity of Hefei Feifan reaches 200 tons/day, and (ii) the amount of the underwritten production output meets with the national requirements set for the relevant organic fertilizers.

Hefei Feifan completed its technological improvement during the year ended 31 March 2021. During the year ended 31 March 2022, Hefei Feifan installed fertilizers-related equipment and attempted to trial production operations. Such fertilizer production is yet to formally commence as the deodorization, dust contamination prevention, and trial outputs are yet to meet the relevant requirements.

The parties compromised to settle and release the Vendor and the Creditor's undertaking on the Guaranteed Revenue and entered into the settlement agreement (the "Settlement Agreement") on 26 September 2022.

SETTLEMENT AGREEMENT

The principal terms of the Settlement Agreement are set out as follows:

Date: 26 September 2022 (after trading hours of the Stock Exchange)

Parties: the Purchaser;

the Vendor;

the Creditor; and

Hefei Feifan.

The Vendor shall compensate RMB13.1 million, after arm's length negotiations among the parties and with reference to the estimated recoverable amounts of the organic fertilizers, on or before 30 September 2022, to the bank account designated by the Purchaser. The Creditor has provided unlimited guarantee for the Vendor's obligation to pay the compensation under the Settlement Agreement.

REASONS FOR AND BENEFITS OF THE SETTLEMENT AGREEMENT

Organic fertilizers is one of the by-products from the residuals after kitchen waste treatment. For the past few years, Heifei Feifan has undergone its technological improvement, and attempted trial production for organic fertilizers, but the results were yet to be satisfactory. As organic fertilizers are just by-product from the principal business of Hefei Feifan, and Hefei Feifan has just completed its technical improvement works, the Company does not intend to further deploy additional resources for upgrading the hardware for such by-product, having considered: (i) the new organic fertilizers requirements newly promulgated by the Ministry of Agriculture and Rural Affairs of the PRC, (ii) the uncertainty of the outcome even if further upgrade is implemented; and (iii) the potential prohibition by the PRC government in relation to application of kitchen waste related products on planting edible agricultural products in some PRC cities.

As such, the parties determined to settle the issues in relation to the Guaranteed Revenue by entering into the Settlement Agreement, which enables the Guaranteed Revenue matter comes to an end, and allowing the management of the Group and the Target Company to focus more its existing business operation.

In addition, the proceed from the Settlement Agreement can strengthen the Group's liquidity, especially during the current economic environment, without disposing nor affecting the current core kitchen waste treatment businesses.

In light of the above, the Directors (including all independent non-executive Directors) consider that the terms of the Settlement Agreement are fair and reasonable, the transaction thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 26 September 2022

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.