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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

PRINCIPAL TERMS OF INVESTMENT

On 30 March 2017 (after trading hours), the Company and the Subscriber entered into the Principal Terms of Investment, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of not more than US\$40,000,000.

GENERAL

Assuming all the Convertible Bonds are exercised in full at the Conversion Price of HK\$3.50 per Conversion Share (subject to adjustments as detailed in the paragraph headed “Adjustment to the Conversion Price”), 88,810,285 Conversion Shares will fall to be allotted and issued to the Subscriber, representing approximately 17.80% of the issued share capital of the Company as at the date of this announcement and approximately 15.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Principal Terms of Investment is subject to the fulfilment of all conditions set out in the paragraph headed “Conditions precedent” in this announcement.

The Conversion Shares will be allotted and issued under the Specific Mandate. The EGM will be held for the purpose of considering and, if thought fit, approving, among other things, the grant of the Specific Mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds.

A circular containing, among other things, (i) further details of the Principal Terms of Investment and the transactions contemplated thereafter; (ii) the notice convening the EGM; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Completion of the Principal Terms of Investment is subject to the fulfillment of the conditions precedent under the Principal Terms of Investment. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF INVESTMENT

Date : 30 March 2017 (after trading hours)

Issuer : the Company

Subscriber : the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Subject matter

On 30 March 2017 (after trading hours), the Company and the Subscriber entered into the Principal Terms of Investment, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of not more than US\$40,000,000.

Assuming all the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$3.50 per Conversion Share (subject to adjustments as detailed in the paragraph headed "Adjustment to the Conversion Price"), 88,810,285 Conversion Shares will fall to be allotted and issued to the Subscriber, representing approximately 17.80% of the issued share capital of the Company as at the date of announcement and approximately 15.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Conditions precedent

Completion of the Principal Terms of Investment shall be conditional upon, *inter alia*:

- (a) no major adverse change in the operation of the Company after signing of the Principal Terms of Investment;
- (b) satisfactory due diligence, legal documentation and customary legal opinions to the Subscriber;
- (c) internal approval from the investment committee of the Subscriber;
- (d) receipt of the Company's final version of annual audit report for the financial year ending 31 March 2017 with unqualified opinion;
- (e) all necessary consents and approvals as may be required having been obtained from the Shareholders;
- (f) granting and permission from the listing division of the Stock Exchange; and

- (g) all applicable laws and regulations (including the Listing Rules and the Codes on Takeovers and Mergers and Share Buy-Backs) having been complied with by each parties to the Principal Terms of Investment, and the Company having obtained all approval and consent for the conducting of transactions contemplated under the Principal Terms of Investment, and having performed all necessary legal procedures.

THE PRINCIPAL TERMS OF THE PRINCIPAL TERMS OF INVESTMENT

- Principal amount** : an aggregate principal amount of not more than US\$40,000,000
- Interest** : 6.5% per annum payable on a semi-annual basis
- Yield to maturity** : 12% per annum internal rate of return applied on the principal amount
- Guarantor** : Jumbo Grand Enterprise Development Limited, a substantial Shareholder
- Conversion Shares** : 88,810,285 Shares
- Closing date (the “Closing Date”)** : the closing date of the Principal Terms of Investment which shall be no later than six (6) months after the date on which the Principal Terms of Investment takes effect.
- Maturity Date (the “Maturity Date”)** : the date falling five (5) years after the Closing Date
- Redemption Price** : price which guarantees 12.0% per annum internal rate of return for the Subscriber (inclusive of interests received up to the date of redemption)
- Conversion period** : any time on or after 30 days from the Closing Date until 7 days prior to the Maturity Date

Conversion Price

The initial Conversion Price of HK\$3.50 per Conversion Share represents:

- (i) a premium of approximately 1.45% to the closing price of HK\$3.45 per Share quoted on the Stock Exchange on the date of the Principal Terms of Investment; and
- (ii) a discount of approximately 5.15% to the average closing price of HK\$3.69 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Principal Terms of Investment.

Adjustment to the Conversion Price

The initial Conversion Price will be subject to adjustment for, amongst other things, subdivisions, consolidations or reclassification of Shares, capitalisation of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the Subscriber.

If the volume weighted average of the trading prices (the “Volume Weighted Average Price”) of the Shares for each day during the period of 20 consecutive trading days immediately prior to any of December 31, 2017, December 31, 2018 and December 31, 2019 (each a “Reset Date”) is lower than the Conversion Price on the relevant Reset Date, the Conversion Price will be adjusted so that the Volume Weighted Average Price in respect of such Reset Date shall be the Conversion Price in effect from, and including, the relevant Reset Date. The adjusted Conversion Price shall not be lower than 80% of initial Conversion Price.

The Conversion Price shall be subject to a full ratchet anti-dilution adjustments in the event that the Company issues additional equity securities, other than the shares reserved for employee shares as share option scheme, i.e. if the per Share price of the newly issues Shares is lower than the then Conversion Price, Conversion Price shall be downward adjusted to the same as the price of the newly issues Shares.

Assuming the Conversion Price is adjusted to 80% of the initial Conversion Price, without taking into account the anti-dilution adjustments, the total number of the Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds is 111,012,857.

The Directors (including independent non-executive Directors) consider that the Principal Terms of Investment and transactions contemplated thereunder are on normal commercial terms determined after arm’s length negotiations among the parties, fair and reasonable and in the interests of the Company and the Shareholders as whole.

Status of the Convertible Bonds and the ranking of the Conversion Shares

The Convertible Bonds constitute direct, senior, unsubordinated and unconditional obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant date of registration of holders of such Conversion Shares on the register of members of the Company.

Early redemption

The Company will, at the option of the Subscriber, redeem all or some of the Convertible Bonds at its early redemption price in the following situations:

- (i) on the date falling 3 years after the Closing Date;
- (ii) in the event that there was a change of control of the Company;
- (iii) in the event that the Shares ceased be listed on the Stock Exchange; and
- (iv) when there is an event of default by the Company.

The early redemption price is the price which guarantees 12.0% per annum return for the Subscriber (inclusive of the interests received up to the date of early redemption) (the “Early Redemption Price”).

The Company may redeem at any time prior to the Maturity Date all and not some only of the Convertible Bonds at the Early Redemption Price, if prior to the date which notice of such redemption is given, at least 75% in aggregate principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Due diligence

After signing of the Principal Terms of Investment, the Subscriber will conduct due diligence work in full scope on the Company. The Company should cooperate with the Subscriber and its designated personnel in respect of the due diligence work.

Negative pledge

So long as more than US\$10 million worth of the Convertible Bonds remains outstanding, the Company will not, and will not permit any of its offshore subsidiaries to, directly or indirectly, incur, assume or permit to exist any lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the date of issue of the Convertible Bonds or thereafter acquired. This negative pledge can be waived upon consent of the Subscriber.

Guarantee

All existing and future non-PRC subsidiaries of the Company, and Jumbo Grand Enterprise Development Limited, a substantial Shareholder, will provide guarantee for the Company under the Principal Terms of Investment.

Lock-up of the Shares

The Subscriber shall not to sell, contract to sell any of the Shares of the Company for 90 days after the Closing Date.

Expenses

The Company is obliged to pay for all the expenses (capped at US\$500,000) incurred during the process of such subscription of the Convertible Bonds by the Subscriber, including but not limited to the due diligence work, drafting, negotiating, signing of the transaction documentation, relevant expenses incurred for executing investment, such as lawyers fee, accountants fee, consulting fee and/or other fee from professional agencies if the investment is duly completed or terminated solely by the Company. Should such subscription of the Convertible Bonds be unsuccessful (excluding the situation of termination solely by the Company), the Company and the Subscriber will bear the cost that each party incurred respectively.

Board Seat

Subject always to the Listing Rules and the rotation requirements set forth in the articles of association of the Company, during the period when (1) the Subscriber, together with its respective associates, holds 5% or more of the entire issued share capital of the Company, or (2) outstanding principal amount of the Convertible Bonds is more than US\$13,500,000, or (3) total converted Shares and underlying Shares in respect of the outstanding principal amount of the Convertible Bonds from time to time exceed 5% of the entire issue share capital of the Company, the Subscriber shall have a right to nominate a non-executive Director subject to the final approval of the nomination committee of the Board.

Information on the Subscriber

The Subscriber is a company incorporated in the PRC. It is principally engaged in investment management.

SPECIFIC MANDATE

The Principal Terms of Investment and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under the Specific Mandate, are subject to the approval of the Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds.

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the Conversion Price of HK\$3.50 per Conversion Share	
	Number of Shares	% of shareholdings (Approximately)	Number of Shares	% of shareholdings (Approximately)
Jumbo Grand Enterprise Development Limited (Note 1)	77,000,000	15.43	77,000,000	13.10
Prosper Power Group Limited (Note 2)	76,500,000	15.33	76,500,000	13.01
Simple Gain International Limited (Note 3)	40,000,000	8.01	40,000,000	6.81
CEF Concept Holdings Limited (Note 4)	55,400,000	11.10	55,400,000	9.43
Go Million International Limited (Note 5)	24,600,000	4.93	24,600,000	4.19
Dr. Zhang Lihui (Note 6)	48,000	0.01	48,000	—
The Subscriber (Note 7)	—	—	88,810,285	15.11
Other public Shareholders	<u>225,434,992</u>	<u>45.19</u>	<u>225,434,992</u>	<u>38.35</u>
Total	<u>498,982,992</u>	<u>100.00</u>	<u>587,793,277</u>	<u>100.00</u>

Notes:

- As at the date of this announcement, Jumbo Grand Enterprise Development Limited is wholly owned by Mr. Zhu Yongjun (chairman of the Board and an executive Director). Mr. Zhu is the brother-in-law of Mr. Allan Warburg, an ultimate beneficial owner of Simple Gain International Limited.
- As at the date of this announcement, Prosper Power Group Limited is owned as to 75% by Mr. Chu Shu Cheong and 25% by Mr. Kwan Man Hay.
- As at the date of this announcement, Simple Gain International Limited is wholly owned by Allan Warburg Holdings Limited, which is in turn wholly owned by Mr. Allan Warburg.
- As at the date of this announcement, CEF Concept Holdings Limited is wholly owned by CEF IV Holdings Ltd., which is in turn owned as to 92.55% by China Environment Fund IV, L.P., an investment fund incorporated in the Cayman Islands.
- As at the date of this announcement, Go Million International Limited is wholly owned by Mr. Chu Kingston Chun Ho, a non-executive Director.

6. Dr. Zhang Lihui is a non-executive Director.
7. Assuming the Conversion Price is adjusted to 80% of the initial Conversion Price, without taking into account the anti-dilution adjustments, the total number of the Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds is 111,012,857.
8. The percentage figures included in this table are subject to rounding adjustment.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

On 16 August 2016, the Company allotted and issued an aggregate of 80,000,000 new Shares to CEF Concept Holdings Limited and Go Million International Limited. The net proceeds from the said issue were approximately HK\$167.1 million, after deduction of legal fees and other professional expenses.

Save for the aforesaid, the Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the date of this announcement.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in foundation works, civil engineering works, general building works and environmental protection. For the past few months, the Company published various announcements in the possible acquisitions of kitchen waste treatment and water treatment projects respectively. Subject to completion of the issue of the Convertible Bonds, the gross proceeds from the issue of the Convertible Bonds will be approximately HK\$310.8 million. The net proceeds, after deducting all relevant costs and expenses will be approximately HK\$304.9 million, which is intended to be used for the general working capital for the operation and development of the kitchen waste and water treatment business as mentioned above and other potential acquisitions/investments from time to time.

A circular containing, among other things, (i) further details of the Principal Terms of Investment and the transactions contemplated thereafter; (ii) the notice convening the EGM; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Completion of the Principal Terms of Investment is subject to fulfillment of the conditions precedent under the Principal Terms of Investment. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following words and phrases used in this announcement have the same meanings assigned:

“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 Main Board of Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$3.50 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions of the Principal Terms of Investment
“Conversion Shares”	88,810,285 new Shares to be allotted and issued by the Company to the Subscriber upon full exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds for an aggregate principal amount of US\$40,000,000 to be issued by the Company to the Subscriber pursuant to the Principal Terms of Investment and convertible into the Conversion Shares at the Conversion Price
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Principal Terms of Investment and the transactions contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Principal Terms of Investment”	the principal terms of investment dated 30 March 2017 entered into between the Company and the Subscriber in respect of the proposed issue of the Convertible Bonds
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate for the allotment and issue of the Conversion Shares to be granted to the Subscriber by the Shareholders at the EGM
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Subscriber” fund(s) managed by the Chizhou CMS Zhong An Equity Investment Management Co., Ltd. and/or its affiliates, and/or a third party designated by Chizhou CMS Zhong An Equity Investment Management Co., Ltd, as agreed by the Company

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

Hong Kong, 31 March 2017

In this announcement, amounts in US\$ are translated into HK\$ on the basis of US\$1=HK\$7.7709. The conversion rate is for illustration purpose only and should not be taken as a representation that US\$ could actually be converted into HK\$ at such rate or at all.

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Ms. Qin Shulan and Mr. Cai Jianwen; the non-executive Directors are Dr. Zhang Lihui and Mr. Chu Kingston Chun Ho; and the independent non-executive Directors are Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, MH, JP.