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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF NEW TWINS ENTERPRISES LIMITED

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



THE AGREEMENT

On 26 July 2017 (after trading hours of the Stock Exchange), the Company, entered into the Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to dispose of and the Purchaser has conditionally agreed to amongst other things, purchase the entire issued share capital of New Twins, at a consideration of HK\$156,000,000 which will be satisfied (i) as to HK\$176,592 in cash; and (ii) HK\$155,823,408 by the Purchaser conditionally agreed to assume the Company's obligation in respect of the Debt.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Both Mr. Chu and Mr. Kwan were the Directors of the Company in the last 12 months preceding the date of the Agreement and hence are connected persons of the Company pursuant to the Listing Rules. As the Purchaser is owned as to 75% by Mr. Chu and 25% by Mr. Kwan, the Purchaser therefore is an associate of Mr. Chu and Mr. Kwan and is a connected person of the Company under the Listing Rules. The Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened and held for the Independent Shareholders to approve the Agreement and the transactions contemplated thereunder. The Purchaser and its associates (including PPG) are required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Disposal who is required to abstain from voting on the relevant resolution(s) to approve the Disposal at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Disposal; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 16 August 2017 in accordance with the relevant requirements of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms of the Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise and make recommendation to the Independent Shareholders after taking into account the recommendation of the Independent Financial Adviser.

VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement and the Disposal.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Agreement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

On 26 July 2017 (after trading hours of the Stock Exchange), the Company, entered into the Agreement with the Purchaser pursuant to which the Company conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the entire issued share capital of New Twins, at a consideration of HK\$156,000,000 which will be satisfied (i) as to HK\$176,592 in cash; and (ii) as to the Purchaser conditionally agreed to assume the Company's obligation in respect of the Debt amounting to HK\$155,823,408. The principal terms and conditions of the Agreement are summarised below:

THE AGREEMENT

Date: 26 July 2017

Parties: (a) the Company, as vendor; and
(b) the Purchaser, as purchaser.

Both Mr. Chu and Mr. Kwan were the Directors of the Company in the last 12 months preceding the date of the Agreement and hence are connected persons of the Company pursuant to the Listing Rules. As the Purchaser is owned as to 75% by Mr. Chu and 25% by Mr. Kwan, the Purchaser is an associate of Mr. Chu and Mr. Kwan and is therefore a connected person of the Company under the Listing Rules.

Subject matter: The Company conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire the Sale Share, being the entire issued share capital of New Twins.

Upon Completion, the Purchaser shall absolutely and unconditionally consent to assume the Company's full liability of Debt repayment to New Twins and New Twins has consented to such arrangement.

Consideration: The consideration for the Sale Share shall be HK\$156,000,000.

The consideration was determined after arm's length negotiations between the Company and the Purchaser taking into account the unaudited net asset value of the Disposal Group of approximately HK\$125,498,000 at 31 March 2017.

Conditions precedent: Completion shall be conditional upon the satisfaction of the following conditions:

- (i) the warranties provided by the Company remaining true and accurate in all respects and not misleading in any respect as at Completion;
- (ii) the Shareholders approving the Agreement and all the transactions contemplated under the Agreement;
- (iii) all consents, approvals, permits, or authorisations (as the case may be) that are necessary pursuant to applicable laws, regulations or rules for the execution, implementation and Completion of the Agreement having been obtained, and all such consents, approvals, permits and authorisations not having been revoked or withdrawn; and
- (iv) all consents or approvals that are necessary pursuant to the implementation and Completion of the Agreement having been obtained from the Stock Exchange, and such consents or approvals not having been revoked or withdrawn.

Completion: Completion shall take place on the Business Day immediately after all the conditions precedent have been fulfilled or waived, or such other date as the Company and the Purchaser shall agree in writing.

Upon Completion, the Purchaser will hold the entire issued share capital of New Twins. As the Group will cease to have any equity interest in the Disposal Group, all the companies in the Disposal Group will cease to be subsidiaries of the Company.

Usage of name of “New Concepts” or “創業”: The Purchaser shall grant to the Company a licence to continue to use the name of “New Concepts” or “創業” as its registered corporate name, trade name, trademark, internet domain name.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is owned as to 75% by Mr. Chu and 25% by Mr. Kwan. It is principally engaged in investment holding.

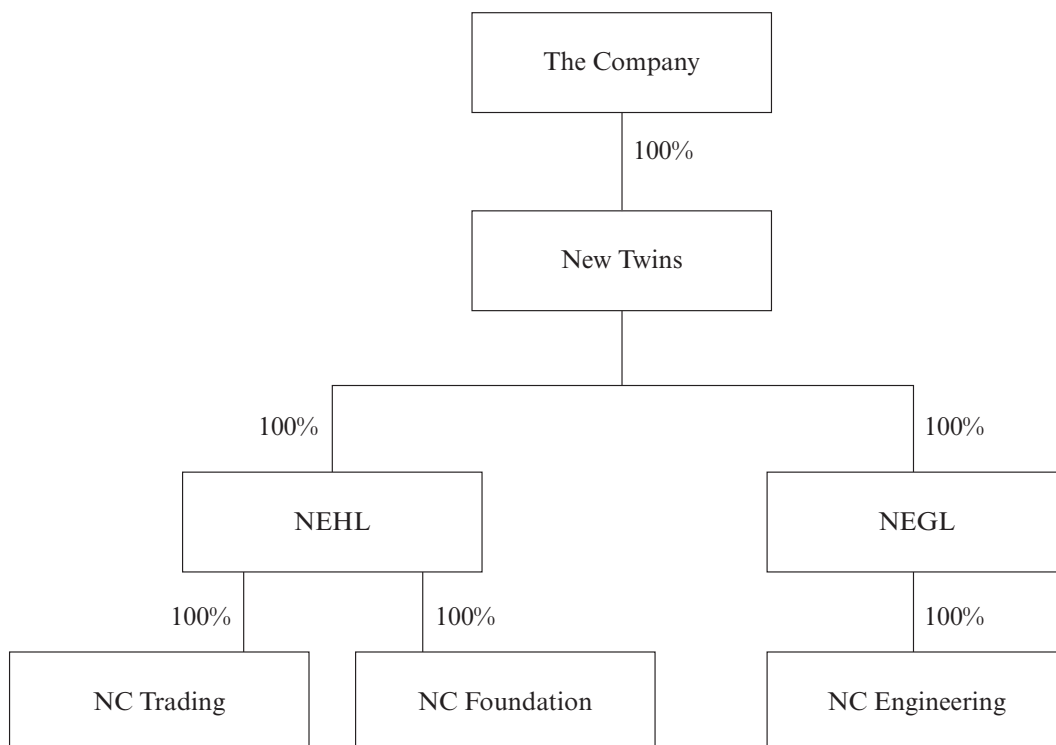
INFORMATION ON THE COMPANY

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

INFORMATION ON THE DISPOSAL GROUP

New Twins is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. New Twins is a direct wholly-owned subsidiary of the Company, as at the date of this announcement.

The Disposal Group is principally engaged in the business of construction works including foundation works, civil engineering works and building works, and trading of construction materials. The shareholding structure of the Disposal Group as at the date of this announcement are set out as follows:



A summary of the unaudited financial information of the Disposal Group for the two years ended 31 March 2017 is set out below:

	For the years ended 31 March	
	2016	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,411,799	758,033
Profit before tax	63,582	791
Profit/(loss) after tax	<u>51,419</u>	<u>(1,401)</u>

The net asset value of the Disposal Group based on its unaudited management accounts as at 31 March 2017 was approximately HK\$125,498,000.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE DISPOSAL GROUP

Upon Completion, the Purchaser will hold the entire issued share capital of New Twins. The Company will cease to consolidate the assets and liabilities, and the operating results of the Disposal Group to the Group.

Upon Completion, the Purchaser shall absolutely and unconditionally consent to assume the Company's full liability of Debt repayment to New Twins and New Twins has consented to such arrangement. With reference to the unaudited net asset value of the Disposal Group of approximately HK\$125,498,000 as of 31 March 2017, the estimated gain on disposal of the Disposal Group was approximately HK\$30.3 million and does not result in significant cash inflow to the Group. The net proceeds from the Disposal is intended to be used as general working capital of the Company. The actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of the Company on the date of Completion and the review by the Company's auditors upon finalisation of the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group operates in four business segments: (i) foundation works, (ii) civil engineering and building works, (iii) sales of construction materials and (iv) environmental protection.

Based on the unaudited financial information of the Disposal Group as set out in the section headed "Information on the Disposal Group", the Disposal Group recorded revenue of approximately HK\$758.03 million but a loss after tax of approximately HK\$1.40 million for the year ended 31 March 2017, representing a decrease of 46.31% in revenue and 102.51% in loss after tax as compared to the corresponding period of 2016. Indeed, this was also, for the first time, a loss was recorded from the construction business of the Group for the past six financial years. Currently, the Group's construction business is facing a fierce and competitive business environment as a result of (i) the downturn in the Hong Kong economy; (ii) the slowdown in the number of new development of construction site; (iii) continuing keen competition in the industry in terms of increasing number of competitors and narrowing profit margin of the construction projects; and (iv) increasing cost of construction material and labour.

On the other hand, the Group recorded an increase in revenue and profit from the environmental protection business which commenced in the second-half of the year ended 31 March 2016. The environmental protection business in the PRC has been growing robustly due to on-going food safety issues and nationwide political support on environmental protection business industry, which provides a solid foundation for such business growth in the PRC. In 《“十三五”全國城鎮生活垃圾無害化處理設施建設規劃》 (Plan for Establishing Facilities for the Innocuous Treatment of Municipal Solid Waste under the Thirteenth Five-Year Plan*), the National Development and Reform Commission & Ministry of Housing and Urban-Rural Development of the PRC set the target of the garbage disposal rate of municipalities and provincial capitals at 100% by 2020; encouraged joint treatment of food waste and other organic biodegradable waste in order to achieve a processing capacity of 34,400 tons per day by the end of the Thirteenth Five-Year. Given the huge upside potential, a strong but steady growth in the industry is expected in the coming years.

With the increase in awareness of the pollution of kitchen wastes and emphasis on recycling kitchen wastes into useful resources, it enables us to increase our market share in the kitchen waste treatment in the PRC along with the support of favorable policies and economic growth momentum through the development of the PRC's environmental protection business.

The Board is optimistic about the future prospect and growth potential of the environmental protection business and expects that revenue from such business will become one of the principal sources of income and growing driver of the Group going forward.

The Disposal also enables the Group to reallocate its financial resources for and direct its focus on the remaining business.

The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed) consider that the terms of the Agreement are entered 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 more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Both Mr. Chu and Mr. Kwan were the Directors of the Company in the last 12 months preceding the date of the Agreement and hence are connected persons of the Company pursuant to the Listing Rules. As the Purchaser is owned as to 75% by Mr. Chu and 25% by Mr. Kwan, the Purchaser therefore is an associate of Mr. Chu and Mr. Kwan and is a connected person of the Company under the Listing Rules. The Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened and held for the Independent Shareholders to approve the Agreement and the transactions contemplated thereunder. The Purchaser and its associates (including PPG) are required to abstain from voting on the relevant resolution to approve the

Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Disposal who is required to abstain from voting on the relevant resolution(s) to approve the Disposal at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the Disposal; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Disposal; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 16 August 2017 in accordance with the relevant requirements of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the terms of the Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise and make recommendation to the Independent Shareholders after taking into account the recommendation of the Independent Financial Adviser.

VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement and the Disposal.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Agreement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the conditional sale and purchase agreement dated 26 July 2017 entered into between the Company and the Purchaser in relation to the disposal of the Sale Share by the Company
“Board”	the board of Directors
“Business Day(s)”	day on which banks in Hong Kong are open for business (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays)
“Company”	New Concepts Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 2221)

“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	HK\$156,000,000 which will be satisfied (i) as to HK\$176,592 in cash; and (ii) as to the Purchaser conditionally agreed to assume the Company’s obligation in respect of the Debt amounting to HK\$155,823,408
“Debt”	the aggregate sum of HK\$155,823,408 which the Company is indebted to New Twins as at the date of the Agreement and will be novated to the Purchaser pursuant to a deed of novation to be entered into among the Company, the Purchaser and New Twins relating to the said sum at Completion
“Director(s)”	the directors of the Company
“Disposal”	the sale of the Sale Share by the Company to the Purchaser pursuant to the terms and conditions of the Agreement
“Disposal Group”	collectively, New Twins and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the transactions as contemplated under the Agreement
“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
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> , being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Agreement and the Disposal
“Independent Financial Adviser”	VMS Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement and the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than Purchaser and its associates, and those who are involved in or interested in the relevant resolution to be approved at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chu”	Mr. Chu Shu Cheong, a substantial Shareholder, who was also a Director in the last 12 months preceding the date of the Agreement
“Mr. Kwan”	Mr. Kwan Man Hay, who was a Director in the last 12 months preceding the date of the Agreement
“NC Engineering”	New Concepts Engineering Development Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of NEGL
“NC Foundation”	New Concepts Foundation Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of NEHL
“NC Trading”	New Concepts Trading Company Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of NEHL
“NEGL”	New Expansion Global Ltd., a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of New Twins
“NEHL”	New Expansion Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of New Twins
“New Twins”	New Twins Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“PPG”	Prosper Power Group Ltd, a substantial shareholder holding approximately 14.99% of the total issued share capital of the Company, which is owned as to 75% by Mr. Chu and 25% by Mr. Kwan
“PRC”	the People’s Republic of China, which, for the purpose of this announcement and for geographical reference only, excludes Taiwan, the Macao Special Administrative Region of the PRC and Hong Kong (unless otherwise indicated)
“Purchaser”	Jumbo Giant Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 75% by Mr. Chu and the remaining 25% by Mr. Kwan
“Sale Share”	1 ordinary share of New Twins, representing the entire issued share capital of New Twins held by the Company immediately before the Completion
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent

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

Hong Kong, 26 July 2017

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.

** for identification purpose only*