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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)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE DEED OF SETTLEMENT

Reference is made to the announcements of New Concepts Holdings Limited (the “Company”) dated 23 August 2018, 3 May 2018, 23 May 2018, 31 May 2018 and 21 June 2018 (the “Announcements”) in relation to, among others, the Settlement Deed entered into among the Company, the Purchaser, the Settlement Parties, Vendor A and Guarantor A on 22 August 2018, pursuant to which the parties agreed to settle the Claim arose from the failure of payment of the aggregate subscription money by Guarantor A on behalf of all the Subscribers under the Share Purchase Agreement and the Subscription Agreements. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated.

In order to enable the shareholders and the potential investors of the Company to have a better understanding on the Settlement Deed, the Board would like to provide additional information on the following matters in relation to the Settlement Deed:

(1) SETTLEMENT AMOUNT AND THE SETTLEMENT PARTIES

As disclosed in the Company’s announcement dated 31 May 2018 and 21 June 2018, a total of 13 key employees of the Target Group (as Subscribers) entered into Subscription Agreements with the Company on 31 May 2018 to subscribe for an aggregate of 5,380,000 Subscription Shares at the aggregate Subscription Price of HK\$18,830,000 (i.e. HK\$3.5 per Subscription Share).

All 13 Subscribers are citizens or entities incorporated in Sweden. Being one of the warranties in the Share Purchase Agreement, the Vendors will be liable for the payment for the Subscription Agreements if any Subscriber fails to fulfill his/her/its obligation under the Subscription Agreements.

Save for Holma Consulting AB which had not delivered its subscription money of HK\$1,764,000 to Guarantor A, the other Subscribers delivered the subscription monies to Guarantor A prior to the bounced back of a cheque of HK\$18,830,000 provided by Guarantor A. Therefore, it has not become one of the Settlement Parties and the Settlement Amount of HK\$17,066,000 pursued under the Settlement Deed has not included the subscription price of Holma Consulting AB (i.e. HK\$18,830,000 – HK\$1,764,000).

Having understood the Claim and considered that the controlling shareholder of Holma Consulting AB is also a key employee of the Target Group and would like to subscribe the Company's shares together with the Settlement Parties, and Holma Consulting AB and the Settlement Parties intended to perform their obligations under the Subscription Agreement with good faith, the Company will separately arrange the allotment and issue of its 504,000 Subscription Shares for HK\$1,764,000 together with the issue of Subscription Shares to the Settlement Parties under the Settlement Deed.

(2) THE PLEDGED SHARES

Source of the Pledged Shares

Pursuant to the Settlement Deed, Guarantor A and Vendor A shall sell the Pledged Shares which are currently registered under Vendor A's name and apply the sale proceeds to settle the Claim and the Other Claims. Such Pledged Shares are entirely consisted of all the Consideration Shares issued to Vendor A under the Share Purchase Agreement (being 21,068,571 Consideration Shares, representing 50% of the total Consideration Share issued under the Share Purchase Agreement), among which 9,742,214 Shares are subject to locked-up arrangement as set out in the Company's announcement dated 4 May 2018 and 11,326,357 Shares are freely transferrable.

Lock-up of the Pledged Shares and the Settlement Mechanism

Guarantor A and Vendor A intend to settle the claims under the Settlement Deed and those under the Other Claims by the Pledged Shares in order to ensure compliance with the Lock-Up arrangement under the Share Purchase Agreement.

Moreover, pursuant to the Settlement Deed, the sale of the Pledged Shares and settlement to the Subscribers shall be completed on or before the Final Settlement Date, which is the first Business Day falling 4 months after (a) Guarantor A being notified that the suspension of the Shares on the Stock Exchange has been lifted; or (b) the Closing Date, whichever occurs later, or such date as may be agreed between Guarantor A and the Company in writing. As the Company's shares are still suspended on the date of this announcement, the Final Settlement Date is expected to fall on early 2019.

On the other hand, pursuant to the Share Purchase Agreement, subject to the 2018 EBITDA of the Target Group, subject to the fulfillment of 2018 audited EBITDA the first tranche of the Lock-Up Shares (i.e. 4,871,107 locked-up Pledged Shares) would to be unlocked and released on the 15th Business Day after the issue of the audited financial statements of the Target Group. As such, it is expected that Vendor A and Guarantor A may have further more Shares for settlement apart from the freely transferable Pledged Shares in early 2019 once the Lock-Up Shares are partially unlocked and released.

The Company expects the settlement mechanism under the Settlement Deed will be in line with the lock-up arrangement under the Share Purchase Agreement and currently does not have any plan or intention to alter the lock-up arrangement or other terms of the Share Purchase Agreement.

Alternate settlement mechanism in the event of insufficiency of the Pledged Shares

In the event that the claims under the Settlement Deed cannot be fully settled by the freely transferrable Pledged Shares and the first tranche released Lock-Up Shares (subject to the fulfillment of 2018 EBITDA of the Target Group), the Subscribers and the Company may further negotiate with Vendor A and Guarantor A to explore alternate settlement mechanism such as (i) amend the terms of the Settlement Deed as per set out in the section headed “In-part Settlement” in the announcement dated 23 August 2018; (ii) amend the terms of the Subscription Agreements with the Subscribers; or (iii) if (i) and (ii) are not feasible, take legal actions against, among others, the Vendor(s) and/or the Guarantor(s).

As such alternates will be subject to the negotiation and agreement among the Company, the Settlement Parties, Vendor A and Guarantor A based on the then settlement status and market response of the Pledged Shares, it is uncertain as to which of the above alternative settlement mechanisms will be adopted ultimately.

Based on the currently available information, the Company is of the view that none of the other parties to the Settlement Deed has any reasonable ground to raise any claim against the Company in the event the proceeds from the Pledged Shares is insufficient to settle the Settlement Amount, and thus the Company does not anticipate any litigation risk arising from or in connection with the Settlement Deed.

The Company will at all times observe and comply with the requirements under the Listing Rules, and if ultimately the parties adopt an alternate settlement mechanism which will results in change in material terms of the Subscription Agreements (such as change of Subscription Price or increase the number of Subscription Shares as per authorized under the listing approval granted by the Stock Exchange in respect of the Subscription Shares), the Company will deem such alteration as a new subscription by the Company and re-comply with all applicable requirements under Rule 13.36 of the Listing Rules.

(3) PARTICULARS OF THE OTHER CLAIMS

As stated in the Company's announcement dated 23 August 2018, the sale proceeds of the Pledged Shares will be used for settling the Claim under the Settlement Deed as well as the Other Claims. Particulars of the claimants and the settlement pursued against Guarantor A and Vendor A under the Other Claims are as follows:

	Claimant	Information of the Claimant	Settlement
1	Guarantor B; and Vendor B	a director of the Target Company; and a company controlled by Guarantor B	EUR27,833 (equivalent to approximately HK\$253,000) and 3,750,000 Shares
2	Markus Larsson; and Butterfly Road AB	A consultant of Target Company and the Company; and a company controlled by Markus Larsson	1,100,000 Shares
3	Mats Erik Tony Johansson	One of the Subscribers	347,600 Shares
4	Zhu Yongjun	The chairman and an executive Director	<u>HK\$3,000,000 and 1,318,000 Shares</u>
		Total:	<u>HK\$3,253,000 and 6,515,600 Shares</u>

To the best knowledge, information and belief of the Directors, the causes of action of the above Other Claims are not arose from or in connection with the Share Purchase Agreement and the Subscription Agreements, and the Settlement Deed is not inter-conditional to the settlement deeds of the Other Claims.

REASONS FOR AND BENEFITS OF THE SETTLEMENT DEED

Further to the reasons and benefits of the Settlement Deed as set out in the Company's announcement dated 23 August 2018, the Company would like to further elaborate the Settlement Deed is in the interests of the Company and will not have any material adverse impact for the reasons as follow:

The Share Purchase Agreement

As the consideration payment mechanism (i.e. the lock-up arrangement) under the Share Purchase Agreement will not be affected by the Settlement Deed, the Group's and its Shareholders' interest under the Share Purchase Agreement will not be prejudiced by the Settlement Deed.

The Subscription Agreements

The Company entered into those Subscription Agreements for the benefit of the proceeds from the subscription and the provision of working incentives to the key employees of the Target Group. Since the Company has not yet issued any Subscription Shares, no material adverse financial impact will be resulted if it decided to terminate the Subscription Agreements at this stage.

Nonetheless, taking into account that (i) the Company has a contractual right against the Subscribers and the Vendors under the Subscription Agreements, and the Vendors had warranted the payment of the subscription money under the Share Purchase Agreement; and (ii) the factual circumstances that the Settlement Parties had paid their subscription money to Guarantor A with good faith to honour their Subscription Agreements and it was Guarantor A who defaulted in the payment, and the Settlement Parties are expected continue to be valuable employees of the Group.

After the Company published the announcement on 21 June 2018, negotiations were conducted among the Company, the Settlement Parties, Guarantor A and Vendor A in order to explore an opportunity to settle the Claim in relation to the Subscription without litigation, and subsequently the parties agreed to enter into the Settlement Deed. Despite the proposal under Settlement Deed cannot guarantee full recovery of the Subscription money in absolute, the Company believes it is a better option than commencing litigation against Guarantor A, as litigation is expected to be lengthy and not financially beneficial to the Group if taken into account the legal costs and other expenses to be incurred.

On the other hand, the Settlement Deed can allow the Settlement Parties to recover their loss (to a certain extent) within a foreseeable period and enable them to re-focus on the business and operations of the Target Group. Besides, it also allows the Company to continue with the fund raising exercise under the Subscription Agreements and achieve the aim to increase the Settlement Parties to continue to work with the Target Group. Therefore, having considered the above, the Directors (including independent non-executive Directors) consider that the Settlement Deed are fair and reasonable and in the interests of the Company and the Shareholders as whole.

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

Hong Kong, 2 October 2018

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Ms. Qin Shulan, Mr. Cai Jianwen and Mr. Lee Tsi Fun Nicholas; the non-executive Director is 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.