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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF NEW EXPANSION GLOBAL LIMITED

On 10 August 2020, the Vendor entered into the Agreement with the Purchaser pursuant to which the Vendor conditionally agreed to dispose of the entire issued share capital of the Target Company to the Purchaser at the consideration of HK\$24,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Disposal are more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 10 August 2020 (after trading hours of the Stock Exchange), the Vendor entered into the Agreement with the Purchaser, the principal terms and conditions of the Agreement are summarised below:

THE AGREEMENT

Date: 10 August 2020

Parties: (a) the Vendor, and
(b) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Assets to be disposed

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company.

Consideration:

The Purchaser shall pay the consideration of HK\$24,000,000 in cash to a creditor of the Group (the "**Money Lender**") within 3 Business Days from the date of the Agreement.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser and with reference to a valuation report prepared by an independent valuer using market approach. The valuated amount of the Target Group as at the base date of 30 June 2020 is approximately HK\$23,700,000.

Conditions precedent:

Completion shall take place on the Business Day immediately after the date on which the last of the following conditions are fulfilled (or waived by the Purchaser in respect of condition (i)) or such other date agreed among the parties hereto in writing:

- (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 shareholder of the Vendor having approved this Agreement and all the transactions hereunder and having complied with the requirements under the Listing Rules, if applicable;
- (iii) all consents or approvals that are necessary pursuant to the implementation and completion of this Agreement, if any, having been obtained from the Money Lender, who is the pledgee of the entire issued shares of NC Engineering (the "**Pledge**"), and proof that the deed of release of the Pledge has been executed by the Money Lender; and
- (iv) all consents, approvals, permits, or authorisations (as the case may be) that are necessary pursuant to applicable laws, regulations, rules, requirements from any regulatory authority (including the Stock Exchange) and obligations to any other party (if applicable) for the execution, implementation and completion of this Agreement having been obtained, and all such consents, approvals, permits and authorisations not having been revoked or withdrawn.

If all of the above conditions are not satisfied (or waived by the Purchaser in respect of condition (i)) by 12:00 noon on 31 August 2020 or such later date agreed by the parties in writing, the Agreement shall automatically lapse and be of no further effect, and no party to the Agreement shall have any liability and obligation to the other save for any antecedent breaches, and the Vendor shall arrange the refund of the Consideration to the Purchaser within 3 Business Days.

The Money Lender is a limited company incorporated in Hong Kong and a holder of money lender's license pursuant to the Money Lenders Ordinance (Cap.163, the Laws of Hong Kong). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Money Lender and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The Group is indebted to the Money Lender pursuant to a loan agreement (the "**Loan Agreement**") dated 23 April 2019 entered into among the Money Lender, the Vendor (as borrower), the Company and Mr. Zhu Yongjun ("**Mr. Zhu**"), the chairman, an executive Director and a substantial shareholder of the Company, (as guarantors) (as amended and supplemented by a supplemental agreement dated 3 July 2020). The Group owed the Money Lender an aggregate of HK\$105,000,000 in principal under the Loan Agreement as of the date of this announcement, and such loan is secured by the guarantee provided by the Company and Mr. Zhu, and the pledge of the entire issued share capital in NC Engineering and New Concepts Engineering Development Limited, a wholly-owned subsidiary of the Company. The guarantee provided by Mr. Zhu under the Loan Agreement was on normal commercial terms and did not require to be secured by any assets of the Group.

As at the date of this announcement, the Vendor has not committed any default under the Loan Agreement and the Vendor has requested the Money Lender to provide its written consent to release the pledge in respect of the entire issued share capital in NC Engineering upon receipt of the Consideration.

Completion:

Upon Completion, the Purchaser will hold the entire issued share capital of the Target Company and the Target Company will cease to be a subsidiary of the Company. The Group will cease to consolidate the assets and liabilities, and the operating results of the Target Group.

INFORMATION ON THE PURCHASER

The Purchaser is a Hong Kong citizen and the general manager of Yat Shing Machine Engineering Company Limited, a limited company incorporated in Hong Kong and engages in earthwork excavation and transportation, and substructure construction. Yat Shing is beneficially-owned by the Purchaser's spouse. Yat Shing has been a subcontractor of the Group's construction business since 2015.

INFORMATION ON THE COMPANY

The Group is principally engaged in the construction works in Hong Kong and environmental protections.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, it has one wholly-owned subsidiary, NC Engineering, a limited company incorporated in Hong Kong which is principally engaged in the business of civil engineering works and building works.

A summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2020 is set out below:

	For the year ended 31 March	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	93,462	39,742
(Loss)/profit before taxation	(656)	1,542
(Loss)/profit after taxation	<u>(668)</u>	<u>1,626</u>

The net asset value of the Target Group based on its unaudited management accounts as at 30 June 2020 was approximately HK\$20,090,000.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE TARGET GROUP

Upon Completion, the Target Group will cease to be consolidated in the Group. With reference to the unaudited net asset values of the Target Group of approximately HK\$20,090,000 as of 30 June 2020, the estimated gain on disposal of the Target Group was approximately HK\$3,910,000. All the proceeds from the Disposal will be directly applied as partial repayment to the Money Lender under the Loan Agreement. 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 Target Group on the date of Completion and the audit by the Company's auditor upon finalisation of the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group's revenue generated from the civil engineering and building works and its contribution to the Group's construction business has been decreasing for the past few years. The Disposal, if materialised, enables the Group to deploy more focus and resources to the existing foundation business, and also strengthening the Group's financial positioning by lowering the overall borrowing level.

The Directors 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.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Disposal are more than 5% and all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

As the Disposal is subject to the fulfilment or waiver (as the case may be) of the Conditions as set out in the Agreement and the transaction contemplated thereunder may or may not proceed to completion, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 10 August 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“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 entire issued shares of the Target Company pursuant to the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to 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
“Long Stop Date”	31 August 2020 or such later date as the parties to the Agreement may agree in writing
“NC Engineering”	New Concepts Engineering Development Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Target Company
“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”	Mr. Lam Sai Cheong, a Hong Kong citizen
“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
“Target Company”	New Expansion Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	collectively, Target Company and its subsidiary, NC Engineering
“Vendor”	New Twins Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 10 August 2020

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 Directors are 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.