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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)

UPDATE ON THE PERFORMANCE COMMITMENT IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF CLEAR INDUSTRY COMPANY LIMITED

Reference is made to the announcements dated 2 November 2016 and 29 June 2017 (the “**Announcements**”) made by New Concepts Holdings Limited (the “**Company**”) in relation to the Acquisition. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

BACKGROUND

Pursuant to the Acquisition Agreement, the Vendor undertakes that for each financial year ended 31 March 2017 and ending 31 March 2018 and 2019, the balance of the new audited accounts receivables (excluding the accounts receivables from related parties) shall not exceed 30% of the consolidated revenue; the balance of the audited accounts receivables aged one to two years shall not exceed 10% of the consolidated revenue of the previous financial year; the balance of the audited accounts receivables aged over two years shall not exceed 5% of the consolidated revenue of each of the previous two financial years (the “**Performance Commitment**”). In the event that the audited accounts receivables as at 31 March 2019 exceeds the above limitation, the exceeded amount (the “**Exceeded Amount**”) will be deducted from the after-tax net profits as set out below.

The Vendor also undertook that the audited net profits after tax and attributable to shareholders of Suzhou Clear Industry (deducting the Exceeded Amount if required) for each of the financial years ended 31 March 2017 and ending 31 March 2018 and 2019 shall be RMB20 million, RMB30 million and RMB40 million (the “**Profit Guarantee**”).

UPDATE

For the financial year ended 31 March 2017, the Group had consolidated the assets and liabilities and financial results of the Target Group (including its subsidiary Suzhou Clear Industry) for the period commencing from completion of the Acquisition in December 2016 (“**Completion**”) and ending on 31 March 2017.

The Company intended to complete the audit of the Target Group by its auditor Wellink CPA Limited (“**Wellink**”). However, Wellink resigned as the Company’s auditor because it could not agree on the Company’s audit fee for the year ending 31 March 2018 and Ernst & Young has been appointed to replace Wellink as the auditor of the Company with effect from 13 February 2018.

The Company is in the process of negotiating and finalising the engagement and scope of work with the new auditor for the special audit period of Suzhou Clear Industry from 1 April 2016 to 31 March 2018. Also, as the management accounts of Suzhou Clear Industry were prepared under the generally accepted accounting principles in the People’s Republic of China, additional time is needed to complete such special audit.

Based on the latest preliminary review and assessment of the unaudited consolidated management accounts of Suzhou Clear Industry for the nine months ended 31 December 2017, the Profit Guarantee (after taking into account the Performance Commitment) of RMB30 million for the financial year ending 31 March 2018 is not expected to be met.

The Board will make further announcement when such information is available.

As set out in the Announcements, the Consideration Shares are subject to a lock-up period (the “**Lock-up Period**”), which commenced from the date of issue of the Consideration Shares and will end upon the later of (i) the last day of the following three years; or (ii) the 20th business day after the issue of the audited net profit attributable to shareholders of the Suzhou Clear Industry for the financial year of 2019 by the auditors which the Purchaser is reasonably satisfied with (both days inclusive). During the Lock-up Period, the Vendor shall not by way of any means (whether conditional or unconditional, direct or indirect or in other natures) transfer or dispose of any of the Consideration Shares, or create any Encumbrances on the Consideration Shares.

In the event that the Profit Guarantee for each of the financial years ended and ending 2017 to 2019 after deduction of the Performance Commitment (if required) for Suzhou Clear Industry cannot be met, among other things, the Vendor has undertaken to

compensate the shortfall to the Purchaser (or its nominee) within seven (7) business days from the issue of the audited financial report of Suzhou Clear Industry for the financial year ended 31 March 2019 in the following order: (1) cash; (2) the shares of the Company; and (3) the shares of the Target Company.

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

Hong Kong, 29 March 2018

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