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LIFE CONCEPTS

Life Concepts Holdings Limited

生活概念控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8056)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

THE LOAN AGREEMENT

On 1 July 2020, the Lender (being an indirect non-wholly owned subsidiary of the Company) and the Borrower entered into the Loan Agreement, pursuant to which the Lender has agreed to grant the Loan in the principal amount of RMB13,000,000 to the Borrower for a period of 24 months commencing from the date of the Loan Agreement. The Loan is interest-bearing at the rate of 4.785% per annum and is payable by the Borrower to the Lender on an annual basis. In connection with the Loan Agreement, on 1 July 2020, the Borrower entered into the Accounts Receivable Pledge Agreement and the Floating Charge Agreement in favour of the Lender, and the Borrower Shareholders (including Mr. Hou Yazhou and Mr. Hou Xiaoba) also entered into Equity Pledge Agreement in favour of the Lender, to secure the obligations of the Borrower under the Loan Agreement.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the provision of the Loan are more than 5% but all of them are less than 25%, the provision of the Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Lender is an indirect non-wholly owned subsidiary of the Company which is owned as to 70% by Ningbo Meishan, 25% by Mr. Hou Xiaoba and 5% by Mr. Song. Mr. Hou Xiaoba in turn holds 87% of the equity interest of the Borrower and is the father of Mr. Hou Yazhou. As Mr. Hou Xiaoba is a substantial shareholder and a director of the Lender, each of Mr. Hou Xiaoba, the Borrower and Mr. Hou Yazhou is a connected person at the subsidiary level of the Company. As (i) the Board has approved the provision of the Loan and (ii) the independent non-executive Directors have confirmed that the terms of the Loan Agreement and the Security Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the provision of the Loan under the Loan Agreement and the entering into of the Security Documents are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

THE LOAN AGREEMENT

On 1 July 2020, the Lender and the Borrower entered into the Loan Agreement in relation to the Loan. A summary of the principal terms of the Loan Agreement is set out below:

Lender:	Shanghai Aie Agriculture Technology Company Limited * (上海愛娥農業科技有限責任公司)
Borrower:	Shanghai Aie Vegetables Cultivation Specialty Cooperative* (上海愛娥蔬菜種植專業合作社)
Principal amount of the Loan:	RMB13,000,000
Term:	24 months commencing from the date of the Loan Agreement
Interest:	4.785% per annum, payable on by the Borrower to the Lender on an annual basis.
Repayment:	The Borrower shall repay the Loan in full, together with all accrued and unpaid interest thereon on the Maturity Date.
Security:	The obligations of the Borrower under the Loan Agreement shall be secured by way of the security created under the Security Documents in favour of the Lender.

Prepayment: The Borrower may, by giving prior written notice to the Lender, prepay all or part of the Loan together with the accrued interest on the amount prepaid in accordance with the terms and conditions of the Loan Agreement.

The terms of the Loan Agreement (including the interest rate) and the Security Documents are negotiated on an arm's length basis among the parties thereto, with reference to the prevailing market lending rates (including the benchmark lending rates published by the People's Bank of China, being 4.75% for loans with a term exceeding one year but up to five years, the financial position of the Borrower, the amount of the Loan and the security granted by the Borrower in favour of the Lender.

THE SECURITY DOCUMENTS

In connection with the Loan Agreement, on 1 July 2020:

- (i) the Borrower as pledgor entered into the Accounts Receivable Pledge Agreement and the Floating Charge Agreement in favour of the Lender as pledgee, in relation to (a) the pledge of any and all of its existing and future accounts receivables and all their related interests and (b) the charge of all production equipment, raw materials, semi-finished products and finished products owned by the Borrower respectively, to secure the obligations of the Borrower under the Loan Agreement; and
- (ii) the Borrower Shareholders as pledgor entered into the Equity Pledge Agreement in favour of the Lender as pledgee, in relation to the pledge of the entire equity interest of the Borrower held by the Borrower Shareholders, to secure the obligations of the Borrower under the Loan Agreement.

INFORMATION ON THE GROUP AND THE LENDER

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (stock code: 8056). The Group is principally engaged in the (i) operation of restaurants; (ii) interior design and fitting-out business; (iii) provision of consulting services in relation to organic vegetables research and development, plantation and sales; and (iv) financial institutional intermediation services.

The Lender is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company which is held as to 70% by Ningbo Meishan, 25% by Mr. Hou Xiaoba and 5% by Mr. Song as at the date of this announcement. The Lender is mainly engaged in research and development, cultivation and sales of organic vegetables and currently owns eight patents in relation to organic vegetables cultivation and planting systems.

INFORMATION ON THE BORROWER AND THE BORROWER SHAREHOLDERS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, (i) the Borrower is a farmers specialty cooperative established in the PRC which is principally engaged in research and development, cultivation and sales of organic vegetables; and (ii) the Borrower is held as to 87% by Mr. Hou Xiaoba, 5% by Ms. Feng, 3% by Ms. Wang, 3% by Mr. Hou Yazhou and 2% by Mr. Wang.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the date of this announcement, (i) each of the Borrower Shareholders is a resident of the PRC; and (ii) save for Mr. Hou Xiaoba and Mr. Hou Yazhou, each of the Borrower Shareholders is a party independent of the Company and the connected persons of the Company.

REASONS FOR AND BENEFITS OF THE PROVISION OF LOAN

While the Lender is the owner of eight patents of organic vegetables cultivation and planting systems and masters the core technology of organic vegetable cultivation, it does not own any sites or requisite manpower to grow organic vegetables. On the other hand, the Borrower owns the agricultural sites and employs the requisite manpower for putting the technology owned by the Lender into practice. The Lender and the Borrower have been strategic business partners where the Lender provides consulting services to the Borrower and receives a consulting fee from the Borrower in return, which is currently calculated on the basis of 45% of the Borrower's total monthly revenue and is subject to review on a quarterly basis (*Note*). In light of the above business cooperation with the Borrower, the Company views the provision of the Loan as an opportunity to facilitate and thereby indirectly benefit from the Borrower's business operations without incurring substantial capital expenditure and labour costs, which is also in line with the strategy of the Group.

(Note: Having regard to the consultation fee payable by the Borrower to the Lender on an aggregated basis, as the applicable percentage ratios for the provision of such consulting services are less than 5% and the total consideration is less than HK\$3,000,000, the provision of such consulting services by the Lender to the Borrower has been fully exempt from independent Shareholders' approval, annual review and all disclosure requirements under Rule 20.74 of the GEM Listing Rules.)

Further, taking into account the revenue and cashflow stream expected to be generated from the interest income, the Directors consider that the terms of the Loan Agreement and the Security Documents are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company considers that, (i) the Loan will generate a higher interest income to the Group as compared to depositing the cash in a bank; and (ii) the obligations of the Borrower under the Loan Agreement shall be secured by way of the security created under the Security Documents in favour of the Lender, which will lower the investment risk of the Group and safeguard the interests of the Company and its Shareholders.

Based on the above, the Board (including the independent non-executive Directors) considers that, although the transactions contemplated under the Loan Agreement and the Security Documents are not entered into in the ordinary and usual course of business of the Group, the terms of the Loan Agreement and the Security Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the Loan Agreement and the Security Documents, as such no Director would be required to abstain from voting on the board resolution approving the Loan Agreement and the Security Documents.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the provision of the Loan are more than 5% but all of them are less than 25%, the provision of the Loan constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Lender is an indirect non-wholly owned subsidiary of the Company which is owned as to 70% by Ningbo Meishan, 25% by Mr. Hou Xiaoba and 5% by Mr. Song. Mr. Hou Xiaoba in turn holds 87% of the equity interest of the Borrower and is the father of Mr. Hou Yazhou. As Mr. Hou Xiaoba is a substantial shareholder and a director of the Lender, each of Mr. Hou Xiaoba, the Borrower and Mr. Hou Yazhou is a connected person at the subsidiary level of the Company. As (i) the Board has approved the provision of the Loan and (ii) the independent non-executive Directors have confirmed that the terms of the Loan Agreement and the Security Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the provision of the Loan under the Loan Agreement and the entering into of the Security Documents are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

Due to an inadvertent oversight, the Company mistakenly believed that the entering of the Loan Agreement and the Security Documents did not constitute a notifiable or connected transaction under the GEM Listing Rules and the announcement of the Loan Agreement and the Security Documents is only made today. In the course of preparing the interim report for the six months ended 30 September 2020, the Company became aware that the entering of the Loan Agreement and the Security Documents constituted a notifiable and connected transaction and was subject to reporting and announcement requirements under the GEM Listing Rules. Moving forward, the Directors (including the independent non-executive Directors) will take the following immediate remedial measures to prevent the re-occurrence of similar incidents in the future and to ensure timely compliance of the relevant provisions of Chapters 19 and 20 of the GEM Listing Rules:

- (i) a list of current connected persons will be circulated to all Directors, senior management and relevant accounting staff of the Group and if any proposed transaction will constitute a notifiable, connected or continuing connected transaction of the Company, the Company will comply with the applicable requirements under the GEM Listing Rules in a timely manner; and
- (ii) specific training will be provided to the Directors and the relevant staff who are responsible for monitoring any such transactions of this nature to increase their awareness and knowledge of the GEM Listing Rules implications in respect of notifiable and connected transactions.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Accounts Receivable Pledge Agreement”	the accounts receivable pledge agreement dated 1 July 2020 entered into by and among the Lender and the Borrower in respect of the pledge of any and all of its existing and future accounts receivables and all their related interests by the Borrower in favour of the Lender
“Board”	the board of Directors

“Borrower”	Shanghai Aie Vegetables Cultivation Specialty Cooperative* (上海愛娥蔬菜種植專業合作社), a farmers specialty cooperative established in the PRC and is held as to 87% by Mr. Hou Xiaoba, 5% by Ms. Feng, 3% by Ms. Wang as at the date of this announcement and as at the date of the Loan Agreement, 3% by Mr. Hou Yazhou and 2% by Mr. Wang
“Borrower Shareholders”	collectively, Mr. Hou Xiaoba, Ms. Feng, Ms. Wang, Mr. Hou Yazhou and Mr. Wang
“Company”	Life Concepts Holdings Limited (生活概念控股有限公司) (formerly known as Dining Concepts Holdings Limited 飲食概念控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM (Stock Code: 8056)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreement”	the equity pledge agreement dated 1 July 2020 entered into by and among the Lender and the Borrower Shareholders in respect of the pledge of the entire equity interest of the Borrower held by the Borrower Shareholders in favour of the Lender
“Floating Charge Agreement”	the floating charge agreement dated 1 July 2020 entered into by and among the Lender and the Borrower in respect of the charge of all production equipment, raw materials, semi-finished products and finished products owned by the Borrower in favour of the Lender
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“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
“Lender”	Shanghai Aie Agriculture Technology Company Limited* (上海愛娥農業科技有限責任公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company, which is held as to 70% by Ningbo Meishan, 25% by Mr. Hou Xiaoba and 5% by Mr. Song as at the date of this announcement and as at the date of the Loan Agreement
“Loan”	the loan in the principal amount of RMB13,000,000 granted by the Lender to the Borrower pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 1 July 2020 entered into between the Borrower and the Lender in respect of the provision of the Loan
“Maturity Date”	a date falling on 24 months from the date of the Loan Agreement
“Ms. Feng”	Ms. Feng Hongyan* (馮紅艷), a resident of the PRC
“Mr. Hou Xiaoba”	Mr. Hou Xiaoba* (侯小八), a resident of the PRC
“Mr. Hou Yazhou”	Mr. Hou Yazhou* (侯亞洲), a resident of the PRC
“Mr. Song”	Mr. Song Qi* (宋祺), a resident of the PRC
“Mr. Wang”	Mr. Wang Jingrong* (王景榮), a resident of the PRC
“Ms. Wang”	Ms. Wang Aiying* (王愛英), a resident of the PRC
“Ningbo Meishan”	Ningbo Meishan Bonded Port Area Jiema Investment Company Limited* (寧波梅山保稅港區傑馬投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Security Documents”	collectively, the Equity Pledge Agreement, the Accounts Receivable Pledge Agreement and the Floating Charge Agreement
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By Order of the Board
Life Concepts Holdings Limited
James Fu Bin LU
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, 10 November 2020

As at the date of this announcement, the board of Directors comprises Mr. James Fu Bin Lu (Chairman and Chief Executive Officer), Ms. Li Qing Ni and Mr. Long Hai as executive Directors; and Mr. Lu Cheng, Mr. Kim Jin Tae and Mr. Shi Kangping as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.lifeconcepts.com.