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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)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018 AND RESUMPTION OF TRADING

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of New Concepts Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 (the "**Year**" or "**FY2018**"), together with the comparative figures for the year ended 31 March 2017 ("**FY2017**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	**928,457**	1,239,809
Cost of sales		**(938,880)**	(1,040,850)
Gross profit/(loss)		**(10,423)**	198,959
Other income and gains, net	4	**78,096**	11,728
Administrative expenses		**(126,704)**	(98,502)
Other expenses, net		**(192,167)**	(16,848)
Finance costs	5	**(17,138)**	(2,159)
PROFIT/(LOSS) BEFORE TAX	6	**(268,336)**	93,178
Income tax credit/(expense)	7	**22,959**	(36,252)
PROFIT/(LOSS) FOR THE YEAR		**(245,377)**	56,926
Attributable to:			
Owners of the Company		**(224,790)**	47,610
Non-controlling interests		**(20,587)**	9,316
		(245,377)	56,926
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK(43.61) cents**	HK10.45 cents
Diluted		**HK(43.61) cents**	HK10.41 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(245,377)**	56,926
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investment	**7,325**	(5,033)
Exchange differences on translation of foreign operations	**56,905**	(11,091)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**64,230**	(16,124)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(181,147)**	40,802
Attributable to:		
Owners of the Company	**(166,816)**	31,708
Non-controlling interests	**(14,331)**	9,094
	(181,147)	40,802

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**186,956**	197,035
Goodwill		**27,216**	122,431
Operating concessions		**356,704**	176,617
Other intangible assets		**15,841**	43,529
Contingent consideration asset		**61,644**	—
Available-for-sale investment		**20,859**	6,536
Receivables under service concession arrangements		**325,238**	231,103
Prepayments, deposits and other receivables		**48,674**	826
Total non-current assets		**1,043,132**	778,077
CURRENT ASSETS			
Inventories		**4,331**	4,290
Due from contract customers	9	**88,878**	121,876
Trade and retention receivables	10	**244,292**	180,001
Receivables under service concession arrangements		**35,549**	—
Prepayments, deposits and other receivables		**125,210**	142,068
Loan receivables		**28,527**	38,861
Due from directors		**1,646**	—
Tax recoverable		**585**	—
Pledged deposit		**5,000**	12,438
Cash and cash equivalents		**61,726**	160,670
Total current assets		**595,744**	660,204
CURRENT LIABILITIES			
Due to contract customers	9	**14,228**	1,626
Trade and retention payables	11	**258,512**	237,849
Other payables and accruals		**109,889**	65,770
Due to related companies		**—**	351,036
Interest-bearing bank and other borrowings		**80,966**	33,857
Tax payable		**9,060**	9,153
Total current liabilities		**472,655**	699,291
NET CURRENT ASSETS/(LIABILITIES)		**123,089**	(39,087)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,166,221**	738,990

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Due to a related company		**384,301**	—
Interest-bearing bank and other borrowings		**190,075**	177,537
Convertible bond		**23,329**	—
Derivative financial instrument		**14,983**	—
Provision		**16,195**	—
Deferred income		**8,371**	8,831
Deferred tax liabilities		**46,896**	51,109
Total non-current liabilities		**684,150**	237,477
Net assets		**482,071**	501,513
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**53,026**	49,898
Reserves		**352,811**	433,898
		405,837	483,796
Non-controlling interests		**76,234**	17,717
Total equity		**482,071**	501,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

New Concepts Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company as at 31 March 2018 was located at 11/F, 8 Queen's Road Central, Hong Kong and was subsequently changed to Office B, 3/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong with effect from 5 December 2018.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in construction works in Hong Kong and environmental protection in Mainland China.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the Group's available-for-sale investment, contingent consideration asset and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of amendments to HKAS 7, the adoption of the above revised standards has had no significant financial effect on the financial statements.

The nature and the impact of the amendments are described below:

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in notes to the financial statements.

3. PRIOR YEAR ADJUSTMENTS

During the finalisation of the consolidated financial statements of the Group for the year ended 31 March 2018, after a reassessment of certain transactions entered into by the Group in the prior year and the corresponding accounting treatments, the Group discovered the following errors:

(a) In October 2016, the Group acquired property, plant and equipment, customer relationships and inventories from independent third parties for an aggregate consideration of Euro 2,800,000. However, the acquired customer relationships and inventories with a carrying amount of HK$429,000 and HK$429,000, respectively, as at 31 March 2017 were both classified as operating concessions instead of other intangible assets and inventories of HK$429,000 and HK$429,000, respectively.

(b) On 14 December 2016, the Group completed the acquisition of 51% equity interest in Clear Industry Company Limited and its subsidiaries (the "**Clear Industry Group**") for a consideration in the form of (i) cash of RMB43,987,500; and (ii) allotment and issue of 18,982,992 ordinary shares of the Company (equivalent to approximately HK$107,480,000, in aggregate) (the "**Clear Industry Acquisition**").

As at the date of acquisition, kitchen waste treatment technologies of the Clear Industry Group with a fair value of RMB23,000,000 (equivalent to approximately HK$25,868,000) were identified as other intangible assets and recognised separately from goodwill. However, the kitchen waste treatment technologies with a carrying amount of HK$25,907,000 as at 31 March 2017 were classified as operating concessions instead of other intangible assets.

In addition, deferred tax liabilities in respect of the kitchen waste treatment technologies and the non-controlling interests' proportionate share of deferred tax liabilities were not recognised. Accordingly, goodwill and deferred tax liabilities as at 31 March 2017 were both understated by HK$3,298,000 and HK$6,467,000, respectively, and non-controlling interests as at 31 March 2017 was overstated by HK$3,169,000.

(c) On 14 December 2016, 18,982,992 ordinary shares of HK$0.1 each of the Company were allotted and issued to Qingqin International Group Limited as part of the consideration for the Clear Industry Acquisition. The fair value of the consideration shares issued was determined to be HK$50,495,000, calculated based on HK$2.66 per share which was the average of the closing prices of the Company's shares for the five trading days immediately preceding the date of the sale and purchase agreement on 2 November 2016.

However, the fair value of the consideration shares issued should be HK$56,379,000, calculated based on HK$2.97 per share which was the closing price of the Company's shares as at the date of acquisition on 14 December 2016. Accordingly, goodwill and share premium account as at 31 March 2017 were both understated by HK$5,884,000.

(d) On 14 December 2016, as part of the Clear Industry Acquisition, the Group acquired 88.5% equity interest in 婁底市方盛環保科技有限公司 ("**Loudi Fangsheng**"). Subsequent to the acquisition, on 24 March 2017, the Group acquired the remaining 11.5% equity interest in Loudi Fangsheng from an independent third party for a cash consideration of RMB2,990,000 (equivalent to approximately HK$3,363,000) (the "**Loudi Fangsheng Non-Controlling Interest Acquisition**").

The Loudi Fangsheng Non-Controlling Interest Acquisition and the Clear Industry Acquisition were two separate and independent transactions. However, the Loudi Fangsheng Non-Controlling Interest Acquisition was inadvertently accounted for as part of the Clear Industry Acquisition.

The carrying value of the additional 11.5% equity interest in Loudi Fangsheng acquired as at the date of the Loudi Fangsheng Non-Controlling Interest Acquisition was HK$1,703,000. The difference of HK$1,660,000 should be recognised in retained profits during the year ended 31 March 2017. Accordingly, the other receivables and non-controlling interests acquired as at the date of the Clear Industry Acquisition was understated by HK$3,363,000 and HK$1,703,000, respectively, and the goodwill on acquisition was overstated by HK$1,660,000. As at 31 March 2017, goodwill and retained profits were also both overstated by HK$1,660,000.

(e) Subsequent to the acquisitions of the equity interests in 太原天潤生物能源有限公司 ("**Taiyuan Tianrun**") and Loudi Fangsheng in the prior year, the Group accounted for the build-operate-transfer contracts in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*. As the Group was paid for the construction services partly by a financial asset and partly by an intangible asset, each component of the consideration was accounted for separately. The financial asset component should be recognised based on the guaranteed amount. Any excess of the fair value of the construction services provided over the fair value of the financial asset recognised should be recognised as an intangible asset. However, the financial asset component of the service concession arrangements was recognised based on a proportion of the guaranteed receipts to the estimated total receipts without considering the estimated operating income and costs. Accordingly, as at 31 March 2017, operating concessions were understated by HK$26,633,000 and receivables under service concession arrangements were overstated by HK$26,633,000.

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated to correct these errors. The effects of correcting these errors are summarised as follows:

Consolidated statement of financial position as at 31 March 2017

	Notes	As previously reported HK$'000	Prior year adjustments HK$'000	As restated HK$'000
Goodwill	(b),(c),(d)	114,909	7,522	122,431
Operating concessions	(a),(b),(e)	176,749	(132)	176,617
Other intangible assets	(a),(b)	17,193	26,336	43,529
Receivables under service concession arrangements	(e)	257,736	(26,633)	231,103
Inventories	(a)	3,861	429	4,290
Deferred tax liabilities	(b)	44,642	6,467	51,109
Reserves	(c),(d)	429,674	4,224	433,898
Non-controlling interests	(b)	20,886	(3,169)	17,717

As these prior year adjustments did not have any impact on the financial position of the Group as at 1 April 2016, an opening statement of financial position of the Group as at 1 April 2016 is not presented.

4. REVENUE, OTHER INCOME AND GAINS, NET AND SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered in relation to environmental protection business during the year.

An analysis of revenue, other income and gains, net is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Construction works	**703,689**	672,127
Sales of construction materials	**111,068**	85,906
Environmental protection	**113,700**	481,776
	928,457	1,239,809
Other income		
Bank interest income	**682**	193
Loan interest income	**2,543**	894
Agency fee income	**4,655**	3,847
Financial guarantee service fee income	**2,039**	—
Machinery rental income	**1,318**	1,076
Government grants	**1,177**	—
Waiver of loan interest payable	**—**	2,696
Others	**4,148**	3,050
	16,562	11,756
Gains, net		
Gain on disposal of items of property, plant and equipment	**—**	7
Fair value gains on derivative financial instruments	**61,534**	—
Foreign exchange differences, net	**—**	(35)
	61,534	(28)
	78,096	11,728

During the year, the Group changed the internal reporting structure and performance measurement for resources allocation decision-making and performance assessment. Accordingly, the comparative amounts previously reported under the reportable operating segments of "Foundation works" and "Civil engineering and building works" have been aggregated into a new single reportable operating segment of "Construction works" and certain comparative amounts previously reported under other reportable operating segments have been reclassified and restated to conform with the current year's presentation.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment.

	Construction works *HK$'000*	Sales of construction materials *HK$'000*	Environmental protection *HK$'000*	Total *HK$'000*
Year ended 31 March 2018				
Segment revenue:				
Sales to external customers	**703,689**	**111,068**	**113,700**	**928,457**
Intersegment sales	**—**	**63,909**	**—**	**63,909**
	703,689	**174,977**	**113,700**	**992,366**
Reconciliation:				
Elimination of intersegment sales				**(63,909)**
Revenue				**928,457**
Segment results	**(88,590)**	**951**	**(226,938)**	**(314,577)**
Reconciliation:				
Bank interest income				**3,225**
Fair value gains on derivative financial instruments				**61,534**
Corporate and unallocated gain				**13,337**
Corporate and unallocated expenses				**(14,717)**
Finance costs				**(17,138)**
Loss before tax				**(268,336)**
Year ended 31 March 2017 (Restated)				
Segment revenue:				
Sales to external customers	672,127	85,906	481,776	1,239,809
Intersegment sales	—	56,695	—	56,695
	672,127	142,601	481,776	1,296,504
Reconciliation:				
Elimination of intersegment sales				(56,695)
Revenue				1,239,809
Segment results	(3,886)	4,868	105,528	106,510
Reconciliation:				
Bank interest income				1,087
Corporate and unallocated gain				10,641
Corporate and unallocated expenses				(22,901)
Finance costs				(2,159)
Profit before tax				93,178

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

	Construction works *HK$'000*	Sales of construction materials *HK$'000*	Environmental protection *HK$'000*	Total *HK$'000*
As at 31 March 2018				
Segment assets	**462,477**	**18,207**	**1,090,881**	**1,571,565**
Reconciliation:				
Corporate and unallocated assets				**67,311**
Total assets				**1,638,876**
Segment liabilities	**546,748**	**46,866**	**197,882**	**791,496**
Reconciliation:				
Corporate and unallocated liabilities				**365,309**
Total liabilities				**1,156,805**
As at 31 March 2017 (Restated)				
Segment assets	421,317	22,075	821,781	1,265,173
Reconciliation:				
Corporate and unallocated assets				173,108
Total assets				1,438,281
Segment liabilities	438,612	22,873	203,627	665,112
Reconciliation:				
Corporate and unallocated liabilities				271,656
Total liabilities				936,768

(c) Information about major customers

Revenue from external customers contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**226,574**	N/A*
Customer B	**N/A***	315,089#
	226,574	315,089

* Nil or less than 10% of revenue

\# This amount represented the deemed construction revenue from the provision of construction services to a government authority recognised according to HK(IFRIC)-Int 12.

(d) Geographical information

Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**814,757**	753,261
Mainland China	**108,921**	486,432
Other countries/regions	**4,779**	116
	928,457	1,239,809

The revenue information above is based on the locations of the customers.

Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**176,294**	188,789
Mainland China	**390,963**	329,318
Other countries/regions	**19,460**	21,505
	586,717	539,612

The non-current asset information above is based on the locations of the assets and excludes financial assets.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**13,452**	853
Interest on convertible bonds	**3,182**	—
Interest on finance leases	**504**	1,306
	17,138	2,159

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**118,889**	83,505
Cost of construction works	**798,029**	714,198
Cost of engineering, procurement and construction services rendered	**16,497**	243,147
Cost of kitchen waste treatment services rendered	**5,465**	—
Auditor's remuneration	**3,100**	1,350
Depreciation*	**32,815**	29,651
Amortisation of operating concessions*	**1,317**	—
Amortisation of other intangible assets	**4,538**	747
Minimum lease payments under operating leases	**30,477**	5,903
Employee benefit expense (excluding directors' remuneration)*:		
Wages, salaries, bonuses, allowances and benefits in kind	**97,989**	115,357
Equity-settled share option expense	**—**	9,780
Pension scheme contributions (defined contribution schemes)	**6,345**	3,573
	104,334	128,710
Foreign exchange differences, net	**9,562**	(35)
Impairment of goodwill	**114,776**	—
Impairment of an intangible asset	**24,356**	—
Impairment of available-for-sale investment	**—**	7,532
Impairment of trade receivables	**3,085**	—
Impairment of other receivables	**15,930**	—
Impairment of loan receivables	**14,090**	—
Write-off of other receivables	**1,151**	—

* Included in the cost of sales for the year were depreciation charges of HK$26,247,000 (2017: HK$26,570,000), amortisation of operating concessions of HK$1,317,000 (2017: Nil) and employee benefit expense of HK$48,226,000 (2017: HK$86,503,000).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**1,303**	771
Overprovision in prior years	**(68)**	—
Current — Mainland China		
Charge for the year	**84**	13,940
Overprovision in prior years	**(2,970)**	—
Deferred	**(21,308)**	21,541
Total tax charge/(credit) for the year	**(22,959)**	36,252

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$224,790,000 (2017: profit of HK$47,610,000), and the weighted average number of ordinary shares of 515,464,066 (2017: 455,589,488) in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$224,790,000 (2017: profit of HK$47,610,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and, the weighted average number of ordinary shares of 1,707,544 assumed to have been issued at no consideration for the year ended 31 March 2017 on the deemed exercise of all share options into ordinary shares. No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2018 in respect of a dilution as the impact of the share options and convertible bond outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. CONSTRUCTION CONTRACTS

	2018	2017
	HK$'000	*HK$'000*
Gross amount due from contract customers	**88,878**	121,876
Gross amount due to contract customers	**(14,228)**	(1,626)
	74,650	120,250
Contract costs incurred plus recognised profits less recognised losses to date	**1,035,989**	1,164,349
Less: Progress billings	**(961,339)**	(1,044,099)
	74,650	120,250

At 31 March 2018, retentions held by customers for contract works included in trade and retention receivables amounted to HK$58,530,000 (2017: HK$71,762,000).

10. TRADE AND RETENTION RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**189,034**	108,239
Impairment	**(3,272)**	—
	185,762	108,239
Retention receivables	**58,530**	71,762
	244,292	180,001

The Group generally allows a credit period of not exceeding 60 days to its customers. Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and retention receivable balances. Trade and retention receivables are non-interest-bearing.

Retention receivables held by contract customers arose from the Group's construction work and are settled within a period ranging from one to two years after the completion of the construction work, as stipulated in the construction contracts.

An ageing analysis of the trade receivables (excluding retention receivables) as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**70,149**	79,817
31 to 60 days	**58,066**	11,978
61 to 90 days	**9,157**	5,405
Over 90 days	**48,390**	11,039
	185,762	108,239

11. TRADE AND RETENTION PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**214,363**	194,744
Retention payables	**44,149**	43,105
	258,512	237,849

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 180 days.

Retention payables held by the Group arose from the Group's construction work and are settled to subcontractors within a period ranging from one to two years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

An ageing analysis of the trade payables (excluding retention payables) as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**61,610**	143,647
1 to 2 months	**23,698**	29,116
2 to 3 months	**39,500**	7,948
Over 3 months	**89,555**	14,033
	214,363	194,744

12. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
530,262,992 (2017: 498,982,992) ordinary shares of HK$0.1 each	**53,026**	49,898

A summary of movements in the Company's issued share capital is as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*
Issued and fully paid:			
At 1 April 2016		400,000,000	40,000
Issue of shares	(a)	80,000,000	8,000
Issue of shares as part of the consideration for a business combination	(b)	18,982,992	1,898
At 31 March 2017 and at 1 April 2017		498,982,992	49,898
Issue of shares	(c)	10,164,000	1,016
Share options exercised	(d)	21,116,000	2,112
At 31 March 2018		530,262,992	53,026

(a) On 16 August 2016, 80,000,000 ordinary shares of HK$0.1 each were allotted and issued at a subscription price of HK$2.1 per share to subscribers for a total cash consideration, before expenses, of HK$168,000,000.

(b) On 14 December 2016, 18,982,992 ordinary shares of HK$0.1 each were allotted and issued to an independent third party as part of the consideration for the acquisition of 51% equity interest in the Clear Industry Group. The fair value of the consideration shares issued was HK$56,379,000 (as restated).

(c) On 6 December 2017, 10,164,000 ordinary shares of HK$0.1 each were allotted and issued at a subscription price of HK$3.71 per share to a subscriber for a cash consideration, before expenses, of HK$37,708,000.

(d) The subscription rights attaching to 21,116,000 share options were exercised at the subscription price of HK$2.58 per share, resulting in the issue of 21,116,000 shares for a total cash consideration, before expenses, of HK$54,479,000. An amount of HK$9,998,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) provision of foundation works, civil engineering contractual service and general building works in Hong Kong (the "**Construction Business**"); (ii) sales of construction materials (the "**Construction-related Business**"); and (iii) environmental protection projects including kitchen waste treatment, industrial water treatment and strategic investments in environmental protection related projects (the "**Environmental Protection Business**").

BUSINESS REVIEW

I Construction Business

The Group is engaged in the Construction Business as a contractor in foundation, civil engineering and general building works in Hong Kong.

During the Year, revenue generated from this segment was approximately HK$703.7 million, maintaining its level as in FY2017 (i.e. HK$672.1 million). This segment remained the largest revenue stream of the Group, representing approximately 75.8% of the Group's total revenue for the Year, as compared to approximately 54.2% in FY2017. Its growing significance to the Group's revenue was mainly attributable to the decreased contribution from the Environmental Protection Business.

Revenue from this segment is generated from both public and private sector projects with approximately 80% of the segment revenue contributed by the foundation projects in private sectors. Out of the total segment revenue of HK$703.7 million, the key contributors were (i) an on-going superstructure building project for residential development in Shatin, which contributed approximately HK$226.6 million for the Year; (ii) a foundation project in Tuen Mun contributing approximately HK$79.4 million during the Year; and (iii) a foundation project in Pok Fu Lam which contributed approximately HK$66.9 million during the Year. Despite the segment revenue maintained its level as in FY2017, the segment results were adversely affected by the gross losses of certain foundation projects. As additional costs were incurred due to unforeseen underground difficulties such as complicated soil strata and existence of substantial boulder and whether these costs would be covered by the clients were still under negotiations as at the year end date, the Group recorded a gross loss of approximately HK$10.4 million. The segment of the Construction Business also recorded a segment loss of approximately HK$88.6 million for the Year. The Group considers that the gross loss of the Group was specific to the unforeseen difficulties of the foundation projects, and thus is non-recurring in nature.

The Group has completed a total of 11 projects in FY2018 (FY2017: 12 projects) and secured 13 new projects (2017: 6 new projects) during the Year with similar aggregated contract value of approximately HK$548.8 million (FY2017: approximately HK$549.7 million). All new projects secured during the Year had commenced construction, and 2 out of 13 new projects had been completed within FY2018. As at 31 March 2018, 14 projects were in progress (FY2017: 12 projects in progress). Details of the completed projects and the projects in progress are set out as follows:

Completed projects

Name of project	Location	Sector	Main category of work
1. Tung Tau Estate Project	Phase 8, Tung Tau Estate, Wong Tai Sin, Kowloon	Foundation	Construction of Hoarding, Pile Cap, ELS and Driven H-Piles
2. East Kowloon Cultural Centre Project	East Kowloon Cultural Centre in Kowloon Bay, Kowloon	Foundation	Construction of Socketed H-piles, Geotechnically Instrumentation, Hoarding modification and associated works
3. Kai Tak Stage 2 Project	Southern Part of the Former Runway, Kai Tak, Kowloon	Foundation	Construction of Rock-Socketed Steel H-Piles
4. HKSH Project	HKSH Eastern District Advanced Medical Centre at No.3 A Kung Ngam Village Road, S.I.L. 778, Shau Kei Wan, Hong Kong	Foundation	Dewatering Works
5. Tung Chung and Texaco Road Project	Tung Chung Area 27 & Texaco Road	Foundation	Construction of large diameter bored piles, mini-pile, pipe pile, king post, sheet pile, geotechnically instrumentation, ELS and pile cap works
6. Wan Chai APA Project	Hong Kong Academy for Performing Arts, 1 Gloucester Road, Wanchai, Hong Kong	Foundation	Construction of Socketed H-Piles, Earthworks and Underground Drainage

Name of project		Location	Sector	Main category of work
7.	Tuen Mun Siu Sau Project	TMTL 435, Castle Peak Road — Tai Lam, Area 55, Siu Sau, Tuen Mun, New Territories	Foundation	Tree Felling, Design and Built of Site Formation, ELS, Pipe Pile, Socketed H Piles, Bored Piles and Pile Caps
8.	Pok Fu Lam Road No.45 Project	No. 46–65A Pok Fu Lam Road, Hong Kong	Foundation	Construction of large diameter bored piles, shear pile, pipe pile, geotechnically instrumentation, drainage, ELS and pile cap works
9.	Sau Ming Road Project	Sau Ming Road, Sau Mau Ping, Kwun Tong	Foundation	Construction of Mini-piles and associated works
10.	Shrewsbury International School Project	Supply and Installation of Pump Well at Shrewsbury International School Hong Kong at Area 85, Shek Kok Road, Tseung Kwan O	Foundation	Supply and Installation of Pump Well
11.	So Kwun Wat Project	Lot No.541 at So Kwun Wat Road, Area 56, Tuen Mun, N.T.	Foundation	Construction of large diameter bored piles, socketed steel H-pile, pipe pile, king post, geotechnically instrumentation, drainage, ELS and pile cap works

Projects in Progress

Name of project	Location	Sector	Main category of work
1. United Christian Hospital Project	United Christian Hospital, 130 Hip Wo Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles and pipe pile walls
2. Pok Fu Lam Project	No.138 Pok Fu Lam Road, Hong Kong	Foundation	Construction of Socketed Steel H-Pile, Soldier Pile, Pipe Pile, Geotechnically Instrumentation, Drainage, ELS and Pile Cap Works
3. Kau To Building Project	Area 56A, Kau To, Shatin, Sha Tin Town Lot No.578, N.T., Hong Kong	Building	Superstructure contract works for residential development
4. Shek Kip Mei Project@	HKHA Contract No: 20150611, Shek Kip Mei Phase 3, 6 & 7	Foundation	Construction of Mini-piles and associated works
5. Happy Valley Project@	17A & B Ventris Road, Happy Valley, Hong Kong	Foundation	Construction of Bored Piles, Pipe Pile, Geotechnically Instrumentation, ELS and Pile Cap Works
6. Tuen Mun Siu Hong Project@	HKHA Contract No: 20160431, Shatin Area 16, Wo Sheung Tun Street, Fo Tan; Siu Hong Road, Tuen Mun	Foundation	Construction of Mini-piles & Ground Investigation works
7. Lam Tin Tunnel Project@	NE/2015/01 Tseung Kwan O — Lam Tin Tunnel Main Tunnel	Foundation	Construction of Mini-piles
8. Au Tau Project@	Lot No. 1066 D.D.103 Au Tau, Yuen Long	Foundation	Construction of Driven H-piles
9. Tuen Mun Hospital Project@	Extension of Operating Theatre Block for Tuen Mun Hospital	Foundation	Construction of Rock Socketed Steel H-piles in Pre-bored Hole, Pipe Pile, King Post, Grout Curtain and Installation of Geotechnical Instrumentation

Name of project	Location	Sector	Main category of work
10. TKO Area 65C2 Project[@]	Contract No. 20160625 Subsidised Sale Flats Development at Tseung Kwan O Area 65C2 Phase 1 and 2	Foundation	Construction of Rock Socketed Steel H-piles in Pre-bored Hole
11. HKIA Project[@]	Hong Kong International Airport Contract 3501—Antenna Farm and Sewage Pumping Station	Foundation	Construction of Pipe Pile and Pumping Test
12. Kai Tak 6567 Project[@]	Foundation, Basement Excavation & Lateral Support and Hoarding Works for the Proposed Residential Development at NKIL No. 6567 Kai Tak Area 1K	Foundation	Construction of Bored Pile, Driven H-Pile, Sheet Pile, Geotechnical Instrumentation, ELS and Pile Cap Works
13. Open University Project[@]	Open University Campus Development at Fat Kwong Street/Sheung Shing Street, Ho Man Tin, K.I.L. 11265, Kowloon, H.K.	Foundation	Construction of Bored Pile, Rock-Socketed Steel H-piles in Pre-bored Hole, Pipe Pile, Sheet Pile, Geotechnical Instrumentation, ELS, Pile Cap and Tree Works
14. Choi Yuen Road Project[@]	Construction of Public Rental Housing Development at Choi Yuen Road Sites 3&4, Sheung Shui (Contract No.20150364)	Foundation	Construction of Rock-Socket in Pre-bored Hole

[@] These projects were new projects secured by the Group during the Year.

II Construction-related Business

The Construction-related Business involves sales of construction materials. During the Year, revenue from sale of construction materials to external customers amounted to approximately HK$111.1 million (FY2017: HK$85.9 million), representing an increase of approximately 29.3% as compared to FY2017. The segment results of the Construction-related Business declined from approximately HK$4.9 million for FY2017 to approximately HK$1.0 million for FY2018, which was mainly attributable to the decline in gross profit margin due to fluctuated prices of construction materials and keen competition of the market.

III Environmental Protection Business

The Environmental Protection Business involves:

(i) kitchen waste treatment;

(ii) provision of EPC (engineering, procurement and construction) services and environmental improvement solutions relating to environment projects (the "**Provision of Environmental EPC Solutions**");

(iii) industrial water treatment; and

(iv) strategic investments in environmental protection related projects.

Revenue from the Environmental Protection Business during the Year was mainly generated from the business of kitchen waste treatment, which is carried out under Build-Operate-Transfer ("**BOT**") model or Build-Own-Operate ("**BOO**") model.

BOT is a project model whereby a government entity grants to an entity a concession to finance, construct and operate a facility according to the agreed specifications for a specified concession period. The entity does not own the facility or the project but it may receive subsidies from the government entity and/or incomes from the project's end users. Upon expiry of the concession period, operation of the project will be transferred to the government entity at a nominal fee. As the legal title of the facility does not belong to the entity, revenue from the construction of kitchen waste treatment plants under the terms of BOT contract is recognised using the percentage-of-completion method and measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

BOO is a project model whereby an entity builds, owns and operates their facilities and assets with no obligation to transfer the facilities and assets to any specified parties at any specified time. The government does not provide direct funding but it may offer other financial incentives such as tax-exempt status to the entity. The entity owns and operates the facility. As the legal title of the facility belongs to the entity, construction in progress of the BOO projects would be recognised as fixed assets according to its stage of completion.

For both BOT and BOO model operation, after the operation of the facilities has commenced, the income generated would typically include government subsidy for waste collecting and processing (depending on the terms of the concession right agreed with the government bodies, if relevant) and sale of products generated from the waste treatment process, such as organic fertilizers, feed, grease, biogas, etc.

For FY2018, the Group's revenue from the Environmental Protection Business dropped by approximately 76.4% to approximately HK$113.7 million (FY2017: HK$481.8 million), which was mainly attributable to the decrease in the construction revenue in relation to the kitchen waste treatment operation. Discussion and analysis on the business performances of kitchen waste treatment, industrial water treatment and other strategic investments are set out below.

1. Kitchen waste treatment

FY2018 saw completion in construction of the first two BOT kitchen waste treatment plants of the Group, namely the Taiyuan Plant and the Hefei Plant. The Taiyuan Plant commenced formal commercial operation in December 2017, while business operational approval of the Hefei Plant was obtained in March 2018 after a few months of trial operation.

The Group made its foray in the kitchen waste treatment industry in June 2016 when it entered into a sale and purchase agreement to acquire the 100% equity interest in Taiyuan Tianrun Bioenergy Co., Ltd. ("**Taiyuan Tianrun**"), which held a concession right to construct, build and operate the Taiyuan Plant under the BOT model. With completion of the acquisition of Taiyuan Tianrun, the Group embarked on the construction and development work of the Taiyuan Plant actively and trial production of the plant was launched in March 2017. The goal of the Group is to establish itself as a prominent provider of environmental protection services in kitchen waste treatment business with a competing edge in processing technology and efficiency in achieving the optimal standard of "zero liquid discharge zero contamination" by its fully-integrated treatment process to be installed in the kitchen waste plants. The illustration of the fully-integrated treatment process supported by proven technology and patented equipment is illustrated in the section headed "Outlook" below.

The second kitchen waste process plant completed by the Group during the Year was the Hefei Plant. Both of the Taiyuan Plant and Hefei Plant adopts the processing solutions and systems of Clear Industry Company Limited ("**Clear Industry**"), a 51% subsidiary of the Group, in waste pre-treatment, anaerobic digestion and bio-gas purifications. The treatment process will be integrated with the Memsys technology of the Group in membrane distillation in the production of organic fertilizers.

The third treatment plant operated by the Group is the Shenzhen Plant which was acquired in FY2018 and is now being operated on a temporary site as will be further explained below.

In addition to the three operating plants, during the Year, the Group was also in the process of constructing a BOT kitchen waste plant in Loudi ("**Loudi Plant**"), which is expected to commence commercial operation in the first quarter 2019 with an aggregate capacity of 100 tons per day. The Group has also formed a joint venture with an entity of the Hanzhong municipality government for the purpose of constructing a kitchen waste plant in Hanzhong ("**Hanzhong Plant**") with permitted capacity of 150 tons per day.

Set out below are the permitted and utilised capacity, and the construction status of each of the kitchen waste plants of the Group:

Kitchen waste plants	**Operation Model**	**Total permitted capacity** *(tons per day)*	**Utilised capacity as at 31 March 2018** *(tons per day)*	**Construction status as at 31 March 2018**
1. Taiyuan Plant	BOT	500	200	In commercial operation
2. Hefei Plant	BOT	200	200	In commercial operation
3. Shenzhen Plant	BOO	100	40	In commercial operation
4. Loudi Plant	BOT	120	—	Under construction
5. Hanzhong Plant	To be determined	150	—	Plan to construct
	Total capacity	1,070	440	

Revenue generated from the kitchen waste treatment business comprises (i) construction revenue from BOT projects under construction; and (ii) income from operating plants including government subsidy for kitchen waste treatment and sale of by-products including but not limited to organic fertilizers, feed, grease, biogas, etc. produced during the process of the kitchen waste treatment. With the commencement of production of the Taiyuan Plant, sales of by-products becomes one of the revenue streams of the treatment plant and will be one of the core segment revenue contribution to the Environmental Protection Business.

During the Year, revenue generated from kitchen waste treatment amounted to HK$97.7 million (FY2017: HK$394.8 million), which was mainly attributable to the construction revenue of Taiyuan Plant, Hefei Plant and Loudi Plant. Also included as revenue of the kitchen waste treatment segment was the service fees paid by the government under the respective concession agreements of approximately HK$29.2 million (FY2017: Nil), representing approximately 25.7% of total revenue generated from the segment of Environmental Protection Business. Sales of the by-products also contributed revenue of approximately HK$8.4 million (FY2017: Nil), representing approximately 7.4% of the segment revenue from the Environmental Protection Business.

The drop in the segment revenue during the Year was due to the fact that a significant portion of construction revenue of Taiyuan Plant of approximately HK$315.1 million had already been recognised in FY2017.

Set out below are the developments of each of the kitchen waste plants of the Group during the Year:

(i) Taiyuan Plant

Taiyuan Plant is operated under BOT model. The construction of the plant is in two phases with total permitted capacity of 500 tons per day. In April 2017, phase one of Taiyuan Plant with capacity of 200 tons per day commenced trial commercial operation. As at 31 March 2018, the facility capacity was already fully utilised. The Taiyuan Plant located at 太原市循環經濟環衛產業園區 (Taiyuan Circular Economy Protection Industrial Park*), Liudu Township, Qingxu County, Taiyuan City serves an area of approximately 2,000 sq. kilometers in the vicinity of the plant. As at the date of this announcement, production facilities for phase two of Taiyuan plant with addition capacity of 300 tons per days have been substantially installed. However, the phase two operations performance are subject to final quality review by the government of Taiyuan and improvements may be requested by the government of Taiyuan.

(ii) Hefei Plant

In January 2017, the Group entered into a sale and purchase agreement and a capital injection agreement (collectively, the "**Hefei Agreements**") with Fu Li Biotechnology Corporation* (阜利生物科技股份有限公司) (the "**Hefei Vendor**") and Chieng Hsin Machinery (Kunshan) Co., Ltd (the "**Hefei Creditor**") to acquire a 80% equity interest in Hefei Feifan Bio Technology Co., Ltd* (合肥非凡生物科技有限公司) ("**Hefei Subsidiary**") and inject US$10 million (equivalent to approximately HK$77.6 million) to Hefei Subsidiary.

In June 2017, the acquisition was completed. Subsequent to completion and up to 31 March 2018, the Group had injected a total of US$6.8 million (equivalent to approximately HK$53.0 million) into Hefei Subsidiary. In the meantime, the Hefei Creditor had also exercised its right under the Hefei Agreements to convert all the debts owed by Hefei Subsidiary to it into equity of Hefei Subsidiary. As a result, Hefei Subsidiary has become a 60%-owned subsidiary of the Group.

The Hefei Plant commenced formal commercial operation in March 2018 and is operated under the BOT model. It has permitted capacity of 200 tons per day. The Hefei Plant located at Hefei Baohe Industrial Park, Taishan Road, Hefei City serves an area of approximately 11,445 sq. kilometers in the vicinity of the plant.

Pursuant to the Hefei Agreements, the Hefei Vendor guaranteed that the revenue from the sales of the organic fertilizers shall be no less than (i) RMB6,205,000 (equivalent to approximately HK$7,301,000) and RMB12,410,000 (equivalent to approximately HK$14,602,000) for the first two years respectively upon commencement of commercial operations of the Hefei Plant; and (ii) RMB17,063,800 (equivalent to approximately HK$20,077,000) per year thereafter until expiration of the concession right to operate the project on 26 June 2038 ("**Guaranteed Revenue**"). Should the actual revenue from sales of organic fertilizers fall short of the Guaranteed Revenue in any particular year, the Hefei Vendor and the Hefei Creditor shall make up the difference with the dividends they are entitled to receive from Hefei Subsidiary.

The first year that the Guaranteed Revenue becomes relevant is from March 2018. Announcement(s) will be made by the Company on the status of the Guaranteed Revenue as and when appropriate.

(iii) Shenzhen Plant

In March 2017, Prime World (Tianjin) Environment Protection Technology Limited ("**Prime World**"), a wholly-owned subsidiary of the Company, entered into an agreement (the "**Shenzhen Agreement**") with two independent third parties (the "**Shenzhen Vendors**") to acquire (i) a 85% equity interest in Shenzhen Xinbao Energy Technology Ltd* (深圳市新寶環保能源科技有限公司) ("**Shenzhen Xinbao**") for a consideration of RMB15.5 million (the "**Shenzhen Acquisition**") and (ii) 15% equity interest for a consideration (the "**Remaining Consideration**") calculated as follows:

Remaining Consideration	=	(government subsidy − RMB200/tons) x 80 tons/days x 30 months

However, the remaining 15% equity interest in Shenzhen Xinbao was acquired by the Group for a revised consideration of RMB800,000 (equivalent to approximately HK$913,000) under a supplemental agreement to the Shenzhen Agreement dated 3 January 2019 (the "**Supplemental Shenzhen Agreement**") with a view to disposing of the entire equity interest in Shenzhen Xinbao to an independent third party (the "**Shenzhen Disposal**"). Further information on the Supplemental Shenzhen Agreement and the Shenzhen Disposal is set out in the section headed "Business update after the reporting period" below.

The principal assets of Shenzhen Xinbao are the exclusive concession right granted under a concession agreement (the "**Shenzhen Concession Agreement**") dated 12 November 2013 entered into between Shenzhen Xinbao and the Shenzhen Guangming Urban Management Bureau (深圳市光明新區城市管理局) of Shenzhen (the "**Bureau**"). With the concession right, Shenzhen Xinbao shall construct and operate a kitchen waste plant at an appropriate premise to be provided by the Bureau with daily collection and processing capacity of 100 tons per day of the operator in the Guangming District for a term of 10 years to 24 August 2024 (the "**Operating Concessions**") with a right of extension for additional five years in accordance with the "Measures of the Shenzhen Municipality on Management of Kitchen Wastes" promulgated by the Shenzhen Municipality Government in 2012. In return, the Bureau shall pay the government subsidy for kitchen waste treatment of RMB200 per ton pursuant to the Shenzhen Concession Agreement.

At the time of negotiation of the Shenzhen Acquisition with the Shenzhen Vendors, the Company was aware that the original Shenzhen Plant was required by the Guangming District municipality authority to be relocated to another premise. However, the Company was of the view that relocation would not materially or adversely impact the operation or the value of the Operating Concessions given the Bureau is obliged to provide an appropriate premise to ensure the construction and operation of a kitchen waste treatment plant with daily collection and processing capacity of 100 tons of the operator. In view of this, it was the plan of the Group to install the fully-integrated processing line of kitchen waste treatment with the Group's technical know-how and patented equipment supported throughout the process in the Shenzhen Plant at the newly granted premise with a view to achieving operational efficiency and optimal standard of zero-liquid discharge.

The consideration for the Shenzhen Acquisition of RMB15.5 million (equivalent to approximately HK$18.5 million) was therefore justified by the internal cash flow projection prepared on the bases and assumptions that (i) the newly granted premise will allow the construction and installation of a fully-integrated processing line that could cater for 100 tons of kitchen waste per day and the installation will be ready by 1 January 2018 with a capital expenditure of RMB29 million; (ii) daily collection amount of kitchen waste in Guangming District will be 20 tons per day up to 31 March 2018, 60 tons in 2019, 80 tons in 2020 and 100 tons since 2021; (iii) the term of the Operating Concessions will be extended to 2029; and (iv) the government subsidy paid for kitchen waste processed would remain at the existing rate of RMB280 per ton throughout the whole concession period.

In September 2017, the Shenzhen Plant operated on the original premise was demolished by the authorities and Shenzhen Xinbao was granted a new premise to operate on (the "**Temporary Site**") as a transition arrangement.

In December 2017, the Shenzhen Plant commenced operation on the Temporary Site. Completion of the Shenzhen Agreement took place in January 2018. However, it was noted that the physical environment of the Temporary Site constrained the installation of a fully-integrated processing line in the Shenzhen Plant that includes all key processes contributing core revenue. In addition, from the commencement of operation on the Temporary Site in December 2017 and up to 31 March 2018, the amount of kitchen waste collected by the Shenzhen Plant from restaurants and eating outlets in the Guangming District was short of 30 tons per day, which was substantially lower than the required daily collection capacity of 100 tons per day under the Shenzhen Concession Agreement.

In view of the above, the throughput of operation is not efficient and the output is not at its optimal level, which materially affected the goodwill arising from the Shenzhen Acquisition driving to the impairment made thereon as at 31 March 2018, which is detailed below.

As at 31 March 2018, the Shenzhen authorities were yet to confirm with Shenzhen Xinbao where the permanent site for the Shenzhen Plant might be. In view of the low collection amount of the kitchen waste in Guangming District, on 17 May 2018, the Bureau issued a notice to all restaurants and eating outlets operating in the area requesting the operators to dispose of all of their kitchen waste via the Shenzhen Plant, and not to dispose of or deal with the kitchen waste otherwise. Notwithstanding this, the collection amount had remained in the range of about 30 tons per day on average until late September 2018 when it first reached a level of 40 tons per day on average.

According to the purchase price allocation report (the "**PPA report**") prepared by Grant Sherman Appraisal Limited (the "**Valuer**"), the adjusted purchase price of Shenzhen Xinbao should be approximately RMB16.4 million (equivalent to approximately HK$19.6 million), comprising (i) the consideration for 85% equity interest in Shenzhen Xinbao of approximately RMB15.5 million (equivalent to approximately HK$18.5 million); and (ii) the advances attributable to 85% equity interest in Shenzhen Xinbao of the Group of approximately RMB850,000 (equivalent to approximately HK$1.1 million) made by the Group to Shenzhen Xinbao prior to completion of the Shenzhen Acquisition for its working capital purpose. Based on the PPA Report, the goodwill recognised on the date of the completion of the Shenzhen Acquisition amounted to approximately HK$16.3 million. In considering the impairment assessment of the goodwill arising from the Shenzhen Acquisition as at 31 March 2018 for the purpose of the consolidated accounts of the Group for FY2018, the Company had prepared cash flow projections on the Shenzhen Plant taking into account the facts that (i) the Bureau failed to grant an appropriate premises that allows the Group to install a fully-integrated processing line which adversely affected the operation efficiency of the Shenzhen Plant and Shenzhen Xinbao would continue to suffer operating loss if the fully-integrated processing line cannot be installed at the Temporary Site; and (ii) the amount of kitchen waste collected from the restaurants and eating outlets at the Temporary Site was lower than expected (i.e. less than 30 tons per day from December 2017 to 31 March 2018).

With reference to this cash flow projection, the Company had fully impaired the goodwill arising from Shenzhen Acquisition during the Year and the impairment amounted to approximately HK$16.3 million.

Further information on the developments subsequent to the reporting period is set out in the section headed "Business update after the reporting period" below.

(iv) Loudi Plant

During the Year, Loudi Plant was under construction by Loudi Fangsheng Environmental Technology Co. Ltd* (婁底市方盛環保科技有限公司) ("**Loudi Fangsheng**"), which was an indirect wholly-owned subsidiary of the Company until February 2018 when the Group effectively disposed of a 20% interest in Loudi Fangsheng (the "**LF Sale Interest**") to an independent third party (the "**LF Sale Interest Purchaser**"). As at the time of the aforesaid disposal, the registered capital relating to the LF Sale Interest was yet to be paid up by the Group. The aforesaid 20% effective disposal of the LF Sale Interest was effected by the Group transferring to the LF Sale Interest Purchaser the right to pay up the registered capital amounting to RMB9.0 million (equivalent to approximately HK$11.2) in respect of the LF Sale Interest, while the registered capital relating to the Group's remaining 80% interest in Loudi Fangsheng amounts to RMB36.0

million (equivalent to approximately HK$44.9 million). As at 31 March 2018, the Group and the LF Sale Interest Purchaser had paid up approximately RMB24.4 million (equivalent to approximately HK$30.5 million) and RMB6.1 million (equivalent to approximately HK$7.6 million) respectively towards the registered capital of Loudi Fangsheng, proportionate to their 80:20 equity interest in Loudi Fangsheng.

The Loudi Plant has a permitted capacity of 120 tons per day. The Loudi Plant located at Loudi Domestic Waste Landfill, Quantang Village, Shexingshan Town, Shuangfeng County, Loudi City serves an area of approximately 8,118 sq. kilometers in the vicinity of the plant. The construction of the Loudi Plant is expected to be completed in the first quarter of 2019.

(v) Hanzhong Plant

In June 2017, the Group set up a joint venture company, namely Hanzhong Fancy Ascent Biological Technology Co. Ltd* (漢中市宜昇生物科技有限公司) ("**Hanzhong JV**") with Hanzhong Urban Construction Investment Development Co., Ltd.* (漢中市城市建設投資開發有限公司) ("**Hanzhong UCID**"). Hanzhong UCID was established by the Hanzhong municipality government. Hanzhong JV was set up for the purpose of constructing and operating a kitchen waste plant in Hanzhong with capacity of 150 tons per day (i.e. the Hanzhong Plant) (the "**Hanzhong Proposition**"). The planning and implementation of the Hanzhong Proposition is pending completion of the pre-feasibility studies by the relevant government authorities on items including but not limited to market research on the kitchen waste disposal in the Hanzhong municipality area, suitability of selected sites for the proposed Hanzhong Plant, environmental issues, available optimus for the waste treatment methods and related technology systems, formulation of related government supporting measures including, if appropriate, tariff/subsidy policies, sale of by-products and analysis on return on investment to determine the appropriate length of concession period. Further information on the Hanzhong Proposition subsequent to the reporting period is set out in the section headed "Business update after the reporting period" below.

2. Provision of Environmental Improvement Solutions

In December 2016, the Group acquired a 51% equity interest in Clear Industry from the Qingqin International Group Limited ("**Qingqin**") for a consideration of RMB87,975,000 (equivalent to approximately HK$107.5 million) to be satisfied by (i) cash of RMB43,987,500 (equivalent to approximately HK$50.5 million); and (ii) allotment and issue of 18,982,992 Shares at the issued price of HK$2.97 (the "**Clear Industry Acquisition**"). At the time of the Clear Industry

Acquisition, Clear Industry held a 88.5% equity interest in Loudi Fangsheng, and two main operating wholly-owned subsidiaries namely Suzhou Clear Industry Co., Ltd and Clear Industry (Shanghai) Co., Ltd. Later in March 2017, the Group reorganised the structure to hold Loudi Fangsheng through another wholly-owned subsidiary, Fancy Ascent Limited.

Clear Industry and its main operating subsidiaries (together, "**Clear EPC Group**") are principally engaged in provision of EPC services for kitchen waste treatment and water treatment projects, provision of environmental and purifying improvement solutions and systems, and of sale and trading of environmental equipment (the "**Technical Know-how**"). The Clear EPC Group was the EPC service provider to the Loudi Plant, Taiyuan Plant and Hefei Plant responsible for the construction and design and system integration of the plants using its proprietary intellectual design and technical know-how.

Based on the consolidated financial statements of the Group for the Year, the Clear EPC Group contributed revenue of approximately RMB9.4 million (equivalent to approximately HK$11.1 million) to the Group for the Year, while for the period starting from the date of completion of Clear Industry Acquisition (i.e. 14 December 2016) to 31 March 2017 ("**Period**"), the revenue contributed by the Clear EPC Group to the Group was RMB36.1 million (equivalent to approximately HK$41.7 million). The significant drop was mainly attributable to the fact that the construction work of the kitchen waste projects of Clear EPC Group in respect of the EPC services provided had been significantly completed in FY2018 (e.g. Hefei Plant) which resulted in contributing no or less revenue to the Group while no new EPC contracts were obtained during the Year.

Certain performance commitments and profit guarantee (collectively, "**Suzhou Commitments**") was given by Qingqin in favor of the Group under the Clear Industry Acquisition, including a three-year profit guarantee for the Clear EPC Group and recovery by it of the account receivables incurred during the three-year profit guarantee period.

The profit guarantee requires that the audited net profits after tax of the Clear EPC Group, less downward adjustments for unrecovered outstanding account receivables calculated in accordance with the pre-agreed formula as set out in the agreement of the Clear Industry Acquisition and also excluding the profit attributable to the business contracted by the other members of the Group to the Clear EPC Group, for the year ended 31 March 2017, 31 March 2018 and 31 March 2019 shall be RMB20 million, RMB30 million and RMB40 million respectively. Details of the Suzhou Commitments were set out in the announcement of the Company relating to the Clear Industry Acquisition dated 2 November 2016.

Under the terms of the Clear Industry Acquisition, if the product of the average amount of the audited net profit after tax of the Clear EPC Group for the three years ending 31 March 2019 multiplied by the agreed price to earnings multiple of 5.75 times is less than RMB87,975,000 (equivalent to approximately HK$101.0 million) (being the consideration for the Clear Industry Acquisition), Qingqin shall compensate the shortfall to the Group in the order of: (i) by cash; (ii) out of the consideration shares of the Company that had been allotted and issued to Qingqin; and (3) the shares of Clear Industry.

Based on the unaudited management accounts of the Clear EPC Group and excluding the profit attributable to the business contracted by the other members of the Group to the Clear EPC Group, the Clear EPC Group recorded a net profit after tax of approximately RMB9.4 million (equivalent to approximately HK$11.1 million) for the Year and a net loss after tax of approximately RMB15.9 million (equivalent to approximately HK$18.7 million) for the Year. The amount of shortfall (if any) can only be ascertained after the average of three-year profit of Clear EPC Group is confirmed by a special audit, it is expected that the scope of the special audit for the three full financial years ending 31 March 2019 will be determined by the parties before the end of the current year. Once the shortfall (if any) has been ascertained after the audited results of the Clear EPC Group for the three years ending 31 March 2019 become available, the Group will enforce the compensation undertaking of Qingqin in accordance with the terms of the Clear Industry Acquisition.

In view of the significant drop in orders and thus revenue of the Clear EPC Group for FY2018, the Group had recognised impairment losses of approximately HK$98.5 million on goodwill arising from the Clear Industry Acquisition. The intangible assets in relation to the technologies of Clear Industry had also been impaired by approximately HK$24.4 million on the note that there was reduced new contracts obtained by Clear Industry for FY2018. On the other hand, a contingent consideration asset of approximately HK$61.6 million was recognised as at 31 March 2018 to account for the possible compensation to be received from the Qingqin in respect of the profit guarantee.

3. Industrial water treatment

(i) Memsys Assets

During the Year, the Group owned the assets comprising the technology, intellectual rights, equipment and inventories ("**Memsys Assets**"), which were acquired by it in October 2016 from the liquidator of the former Memsys group of companies in Europe. The technology uses membrane distillation method based on unique vacuum multi effect membrane distillation ("**V-MEMD**") modules, and is capable of delivering a highly efficient thermal separations process in modular forms. The V-MEMD modules deliver a cost-effective and corrosion resistant solution for treatment of highly saline and corrosive process waters generated during industrial activities.

After the acquisition of the Memsys Assets, the Group through a wholly-owned subsidiary in Germany had further promoted, developed and marketed the V-MEMD technology to users in industrial water treatment industry. For the FY2018, this section generated revenue of approximately HK$4.8 million.

As part of its effort to commercialise the application of the V-MEMD technology, in March 2017, the Group entered into a conditional agreement to acquire a 100% equity interests in Beijing China Science Resources & Environmental Technology Co., Ltd.* (北京中科瑞升資源環境技術有限公司) ("**CSRE**"). Prior to the proposed said acquisition, CSRE had successfully applied the V-MEMD technology in its water treatment operation on a commercial scale. However, the proposed acquisition of CSRE lapsed in December 2017 as certain financial milestones in respect of CSRE were found not met during the financial due diligence conducted by the Group.

Subsequent to the Year, in May 2018, the Group entered into agreement with an independent third party for disposal of the Memsys Assets. As part of the sale arrangement, the Group had also agreed to form a joint venture with the independent third party to explore the market in Asia, and to this end, the joint venture partners intend to engage with CSRE again on a business collaboration to develop the People's Republic of China ("**PRC**") market for the Memsys Assets. Further information of this post year-end development is set out in the section headed "Business update after the reporting period" below.

(ii) TDR

In April 2017, the Group entered into a framework agreement ("**TDR Framework Agreement**") with Shanghai Fuji Investment Limited* (上海福激投資有限公司) ("**TDR Vendor**"), an independent third party, to acquire

("**TDR Acquisition**") a 100% equity interest in Beijing TDR Environ-Tech Co., Ltd.* (北京天地人環保科技有限公司) ("**TDR**") for a consideration of RMB650,000,000 (equivalent to approximately HK$734.0 million). RMB26.0 million (equivalent to approximately HK$29.4 million) (the "**TDR Deposit**") was paid to the TDR Vendor upon the signing of the TDR Framework Agreement. Founded in 2002, TDR specialises in high concentration wastewater treatment and special material separation and provides integrated and tailor-made solutions to high concentration wastewater treatment for all local governments and enterprises. It has a variety of wastewater processing technologies, including membrane technology, large channel spiral-wound membrane technology, multi-effect membrane distillation.

However, no formal agreement in respect of the TDR Acquisition was consummated at the end. As a result, the TDR Framework Agreement lapsed on 24 October 2017. In January 2018, TDR was acquired by some other entities of a group of companies independent of the Company for a consideration of RMB650,000,000 (equivalent to approximately HK$760.6 million). Subsequent to this, the Company has been in discussion with the new owner of TDR (the "**TDR Owners**") for a strategic participation by the Group in TDR. Further information on the development subsequent to the reporting period is set out in the section headed "Business update after the reporting period" below.

4. Strategic investments

(i) Hydropower projects in Indonesia

In March 2016, Stand Ascent Limited ("**Stand Ascent**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "**DSE Agreement**") with Xu Peng ("**Xu**") as vendor and Muhamad Yamin Kahar ("**Yamin**") as warrantor to acquire a 49% equity interest in PT. Dempo Sumber Energi ("**DSE**") for a consideration of US$7.30 million (equivalent to approximately HK$57.3 million), of which US2.92 million (equivalent to approximately HK$22.9 million) was paid by Stand Ascent upon signing of the DSE Agreement. The remaining consideration of a total of US$4.38 million (equivalent to approximately HK$34.4 million) is payable by stages subject to certain conditions precedent having been fulfilled or certain permits having been obtained.

DSE is the project company established for the development of two mini-hydroelectric power plants on Batang Pelangai River, Indonesia, with installed capacity of 2 x 1.8 megawatts and 2 x 4.9 megawatts.

As the conditions precedent to the DSE Agreement had not been satisfied prior to the long stop date of the agreement, in October 2017, the parties to the agreement entered into a deed of termination and indemnification (the "**DSE Termination Deed**") to terminate the DSE Agreement and to agree on certain post termination arrangements between the parties, including but not limited to the repayment of the deposits paid and the advances then made by Stand Ascent to DSE totaling US$4.3 million (equivalent to approximately HK$33.7 million) (the "**DSE Receivables**") as more particularly described below.

In August 2016, Stand Ascent entered into a formal conditional sale and purchase agreement (the "**2016 SPM Agreement**") with Xu and Yamin (the "**Dominating Indonesian Parties**"), both as vendor, whereby Stand Ascent conditionally agreed to acquire an 80% equity interest in PT Sumatera Pembangkit Mandiri ("**SPM**") for a consideration ranging from Indonesian Rupiah ("**IDR**") 36.7 billion to IDR59.8 billion (equivalent to approximately US$2.80 million to US$4.56 million with reference to the exchange rate of US$1 to IDR13,115 as at the date of the agreement (the "**Exchange Rate**")). The final consideration is to be determined upon the average tariff (ranging from US8.0 cents to US9.0 cents) to be agreed under the power purchase agreement ("**SPM-PPA**") by PT Perusahaan Listrik Negara (Persero) ("**PLN**"), a stated-owned energy company in Indonesia, or the valuation of the equity of SPM to be conducted before completion of the transaction (whichever is lower). If the tariff was higher than US7.8 cents but lower than US8.0 cents, the consideration would be IDR30.4 billion (equivalent to US$2.32 million at the Exchange Rate). If the tariff was less than US7.8 cents, the 2016 SPM Agreement would be terminated with immediate effect.

SPM is the project company established for the development of a hydropower project located on the Batang Toru River, Pahae Julu of Indonesia, with installed capacity of 2 x 9 megawatts.

The 2016 SPM Agreement is conditional on fulfilment of certain conditions precedent and has been extended twice. As at the date of this announcement, it is yet to complete.

As at 31 March 2018, Stand Ascent had paid the refundable deposits and consideration in an aggregate amount of US$3.3 million (equivalent approximately HK$26.0 million) and had advanced to SPM a total of US$425,000 (equivalent to approximately HK$3.3 million) (together, the "**SPM Receivables**") as more particularly described below. Advances of approximately US$379,000 (equivalent to approximately HK$3.0 million) previously made to the Dominating Indonesian Parties which were fully settled in September 2018.

Subsequent to the end of the Year, with a view to disposing of the designated percentage of equity interests in SPM to a potential investor, which is a PRC state-owned enterprise (the "**Potential SOE Investor**"), on 26 April 2018, Stand Ascent entered into an agreement with Yamin as vendor and warrantor and Xu as warrantor to acquire an additional 5% equity interest in SPM for a consideration ranging from US$183,500 to US$325,000, subject to the final tariff to be agreed under the SPM-PPA (the "**2018 SPM Agreement**"). A refundable deposit of IDR2.5 billion (equivalent to approximately HK$1.4 million) was paid by Stand Ascent upon signing of the 2018 SPM Agreement. The possible disposal of the equity interests in SPM to this Potential SOE Investor was not proceeded further after April. Instead, in June 2018, PML entered into a conditional sale and purchase agreement with Fujian Jiahe (as defined below), which is a third party independent of the Company, to dispose of the entire issued share capital of Stand Ascent to such party. Further information on the transaction is set out in the sub-section headed "Stand Ascent Disposal" under the section headed "Business update after reporting period" below.

Set out below are the settlement arrangements agreed between the parties during the Year, and subsequently, in respect of the DSE Receivables and the SPM Receivables.

(a) DSE Receivables

i. Background leading to the outstanding DSE Receivables

As provided in the DSE Agreement, a deposit of US$2.92 million (equivalent to approximately HK$22.9 million) was paid by Stand Ascent to the vendor at the time of the signing of the agreement.

Included in the DSE Agreement were, among others, two conditions precedent. The first of this was to obtain the approval from the Investment Controlling Board of Indonesia ("**BKPM**") of the deed of transfer to be executed between the parties for the purpose of transferring the ownership of the sale interests from the seller to the buyer (the "**BKPM Condition**"). The second was the signing of power purchase agreement (the "**DSE-PPA**") by DSE with PLN in form and substance to the satisfaction of Stand Ascent (the "**DSE PPA Condition**").

Approval of BKPM of the transfer of the shareholding of an Indonesian company is obtained by the parties lodging a duly executed form of transfer and related documents to BKPM for registration. Approval is deemed to be granted if BKPM does not reject the application for registration. For the purpose of fulfilling the BKPM Condition and in anticipation of the fulfilment of the DSE PPA Condition shortly, on 18 May 2016, Stand Ascent and Xu executed a deed of transfer of the sale shares of DSE (the "**DSE Shares**"), together with a joint venture agreement with the then shareholders of DSE (the "**DSE-JVA**") as provided in the DSE Agreement, such that the said deed of transfer could be lodged with BKPM for registration and the completion process could be expedited. According to the legal opinion obtained by the Company, despite the board representation granted under the DSE-JVA to Stand Ascent, Stand Ascent is merely a registered shareholder of the DSE Shares as a custodian for securing the DSE Receivables and is not entitled to the dividends of DSE. The beneficial interests of the DSE Shares remain at Xu and thus the Company accounted the DSE Receivables as receivables.

The BKPM Condition was satisfied.

However, the DSE PPA Condition could not be satisfied as the DSE-PPA was not on terms satisfactory to Stand Ascent. The tariff provided in the DSE-PPA were not in compliance with the policy stipulated under Regulation No. 19 of 2015 as issued by the Minister of Energy and Mineral Resources of Indonesia ("**MEMR 19/2015**"), which requires, among others, the tariff for hydropower plants in the same category as DSE shall be denominated in United States dollars, while payment shall be in IDR. Despite the requirements in MEMR 19/2015, tariff finally agreed by PLN in the DSE PPA was set in IDR, not USD, denomination, and the rate was lower than the reference price range provided in the MEMR 19/2015.

In view of the deviation which may cause great investment risk in terms of foreign currency exposure and lower internal rate of return for a foreign investor like Stand Ascent, Stand Ascent requested DSE to pursue further negotiations with PLN to improve the terms of the DSE-PPA. To allow DSE sufficient time for further negotiation with a view to revising the terms of the DSE-PPA, the long stop date of the DSE Agreement was extended twice in September 2016 and April 2017 respectively with the final long stop date on 20 October 2017.

During the extended period for negotiation between DSE and PLN, Stand Ascent continued to provide funding to DSE by way of loans for its working capital purpose in hope of revising the tariff under the DSE-PPA and proceeding with the completion of the acquisition of the DSE Shares accordingly.

However, no fruitful agreement was reached between DSE and PLN before 20 October 2017.

As a result, on 20 October 2017, the DSE Termination Deed was entered into by the parties. Contemporaneously, Stand Ascent also entered into a deed of novation with the Dominating Indonesian

Parties and all other shareholders of DSE (collectively, "**DSE Shareholders**") to novate its rights and obligations, if any as a shareholder, under the DSE-JVA.

Notwithstanding this, Stand Ascent and Xu had agreed that Stand Ascent shall remain as a registered shareholder of DSE so that Stand Ascent would continue to hold the subject shares as collateral to secure its interests in the indebtedness owed to it by DSE and Xu given Indonesia has no public registry system that records any pledges or charges over shares in non-public companies. The DSE Termination Deed also stipulated that should all DSE Receivables be settled by Xu, the legal title of the DSE Interests will be transferred to Xu.

ii. Subsequent settlement and impairment of the DSE Receivables

The DSE Receivables comprised (i) a deposit of US$2.92 million (equivalent to approximately HK$22.9 million) paid by Stand Ascent to Xu at the time of signing of the DSE Agreement; and (ii) various advances in total of US$1.4 million (equivalent to approximately HK$11.0 million) made to DSE subsequent to the signing of the DSE Agreement as its working capital and expensed in advancing the hydropower projects, such as carrying out feasibility studies for outbound work and EPC design of the hydropower stations.

In their effort to repay the DSE Receivables to Stand Ascent, the Dominating Indonesian Parties had been looking for alternative investors for their hydropower projects, among all was 福建佳和能源有限公司 ("**Fujian Jiahe**").

On 27 March 2018, Fujian Jiahe entered into a sale and purchase agreement and a supplemental agreement of the same date (the "**FJ-DSE Agreement**") to acquire a total of 90% equity interest in DSE for a total consideration of US$4.5 million (equivalent to approximately HK$35.3 million). Included in the aforesaid 90% interest in DSE was 49% equity interest in DSE beneficially owned by Xu but held by Stand Ascent as registered shareholder for the purpose of collateral interests for the DSE Receivables and 41% beneficially held by Yamin. A deposit of US$1.0 million (equivalent to approximately HK$7.8 million) was paid to Stand Ascent ("**FJ-DSE Deposit**") directly upon signing of the FJ-DSE Agreement for settlement of the DSE Receivables by Xu. As a result, as at 31 March 2018, the outstanding balance of the DSE Receivables amounted to US$3.3 million (equivalent to approximately HK$26.0 million).

As at the date of this announcement, the FJ-DSE Agreement was completed and the remaining balance of the consideration (the "**FJ-DSE Remaining Consideration**") for the 49% equity interest in DSE beneficially owned by Xu of US$1.2 million (equivalent to approximately HK$9.4 million) had been paid to Stand Ascent for the settlement of the DSE Receivables by Xu.

In furtherance to the interest of Fujian Jiahe in the energy projects in Indonesia, Fujian Jiahe and the Dominating Indonesian Parties had continued with negotiation on other hydropower projects held by the Dominating Indonesian Parties, including SPM project. Fujian Jiahe has indicated its interests in SPM project and having considered that SPM was in the process of negotiating with PLN for the SPM-PPA and the immediate registered shareholders of SPM cannot be changed before the SPM-PPA was signed, Fujian Jiahe decided to acquire the entire equity interest in Stand Ascent instead.

Consequently, on 29 June 2018, a conditional sale and purchase agreement (the "**Stand Ascent Disposal Agreement**") was entered into between PML, Fujian Jiahe, the Dominating Indonesian Parties and all other shareholders of DSE and SPM for the disposal of the entire equity interest in Stand Ascent by PML to Fujian Jiahe (the "**Stand Ascent Disposal**"). Further information on the Stand Ascent Disposal is set out in the section headed "Business update after reporting period" below.

To further ensure the settlement of the DSE Receivables and the SPM Receivables, on 6 July 2018, the Dominating Indonesian Parties entered into a deed of undertaking (the "**Repayment Deed**") pursuant to which they undertook to the Company that the proceeds received from the sale of their equity investments in the hydropower projects in Indonesia including DSE, SPM, PT. Berkah Daya Energi, PT. Dempo Mitra International and PT. Insan Mutiara Energi (the "**Indo Project Proceeds**"), would be first used to settle the outstanding receivables owing by the Dominating Indonesian Parties to the Group.

In accounting for the DSE Receivables as at 31 March 2018, the Company recognised an impairment in the DSE Receivables of approximately US$1.6 million (equivalent to approximately HK$12.8 million), which was the difference between (i) the carrying amount of the DSE Receivables of US$3.3 million (equivalent to approximately HK$26.0 million) as at 31 March 2018 (taking into account part of the DSE Receivables having been settled by the FJ-DSE Deposit on 27 March 2018) and (ii) the amount of approximately US$1.2 million (equivalent to approximately HK$9.4 million) repaid by Xu by way of the FJ-DSE Remaining Consideration together with the Indo Project Proceeds of approximately US$0.5 million (equivalent to approximately HK$3.8 million) as repaid by the Dominating Indonesian Parties under the Repayment Deed subsequent to 31 March 2018.

(b) *SPM Receivables*

i. Background leading to the outstanding SPM Receivables

On 22 January 2016, Progressive Merit Limited entered into a memorandum of understanding (the "**SPM-MOU**") to acquire the controlling interest in SPM from the Dominating Indonesian Parties for which a refundable deposit of US$800,000 (equivalent to approximately HK$6.3 million) was paid upon signing of the MOU. On 26 March 2016, another 12 non-binding MOUs were entered into by PML to acquire 12 other hydropower projects in Indonesia (i.e. the "**Twelve Projects**") owned by the Dominating Indonesian Parties and other vendors. Total deposits in the amount of US$1.40 million (equivalent to approximately HK$11.0 million) were paid by PML as refundable deposits for the Twelve Projects upon signing of these other 12 MOUs.

Subsequent to the signing of the DSE-PPA and in light of the deviation of the tariff granted by PLN from the MEMR 19/2015 as described in the section headed "Background leading to the outstanding DSE Receivables" above, the Management had decided not to pursue the Twelve Projects further, but in the meantime to continue with the negotiations on SPM.

In August 2016, the 2016 SPM Agreement was executed by the parties (see the section headed "Hydropower projects in Indonesia" above), whereby the parties agreed that the US$1.40 million (equivalent to approximately HK$11.0 million) already paid under the MOUs in respect of the Twelve Projects shall be assigned to settle part of the consideration for the 2016 SPM Agreement upon signing of the agreement. This, together with the US$800,000 (equivalent to approximately HK$6.3 million) refundable deposit already paid under the SPM-MOU, made the total deposit paid to the Dominating Indonesian Parties upon signing of the 2016 SPM Agreement to be US$2.2 million (equivalent to approximately HK$17.3 million) (the "**SPM Signing Deposits**").

Similar to the terms of the DSE Agreement, included in the 2016 SPM Agreement were, among others, two conditions precedent to (i) obtain the BKPM approval for the deed of transfer to transfer the ownership of the SPM Shares (the "**SPM BKPM Condition**"); and (ii) to enter into a power purchase agreement with PLN (the "**SPM PPA Condition**").

In regard to the SPM BKPM Condition and for the purpose of securing Stand Ascent's interests in the deposits and consideration paid under the 2016 SPM Agreement, on 17 October 2016, Stand Ascent, Xu and Yamin executed a deed of transfer of the SPM Shares and the same was lodged with BKPM for registration. Thus, Stand Ascent had become the registered shareholder of 80% equity interest in SPM as a custodian while the beneficial interests thereof remained at Xu. The legal opinion obtained by the Company further confirmed that Stand Ascent is not entitled to the dividends of SPM. Accordingly, the Company accounted the SPM Receivable as receivables.

Subsequent to the 2016 SPM Agreement, Stand Ascent made further payment of consideration and advances of approximately US$1.5 million (equivalent to approximately HK$11.8 million) as detailed in the section headed "Subsequent settlement and impairment of the SPM Receivables" below.

By 31 March 2018, the SPM PPA Condition was yet to be fulfilled and Stand Ascent continues to hold the 80% equity interest in SPM as collateral to secure its interests in the SPM Receivables.

ii. Subsequent settlement and impairment of the SPM Receivables

The SPM Receivables as at 31 March 2018 comprised:

(i) The SPM Signing Deposits of US$2.2 million (equivalent to approximately HK$17.3 million);

(ii) part consideration of approximately US$1.1 million (equivalent to approximately HK$8.6 million) paid to the Dominating Indonesian Parties for the pursuance of different payment conditions provided in the 2016 SPM Agreement, including but not limited to obtaining the permits and approvals from relevant government authorities; and

(iii) various advances in total of US$425,000 (equivalent to approximately HK$3.3 million) made to SPM subsequent to the signing of the 2016 SPM Agreement, which sum had been used by

SPM as its working capital and expensed in advancing the hydropower projects, such as carrying out feasibility studies for outbound work and EPC design of the hydropower stations.

As mentioned above, in April 2018, Stand Ascent entered into the 2018 SPM Agreement to acquire additional 5% equity interest in SPM with a view to facilitating the possible disposal of the designated percentage of equity interest in SPM to a potential investor. The disposal was not materialized. Rather, the Dominating Indonesian Parties and Stand Ascent entered into the Stand Ascent Disposal Agreement with Fujian Jiahe on 29 June 2018. The proceeds attributable to the 85% equity interest in SPM ranges from approximately US$3.12 million (equivalent to approximately HK$24.5 million) to US$5.53 million (equivalent to approximately HK$43.4 million) and will be used to settle the SPM Receivables.

In accounting for the SPM Receivables as at 31 March 2018, the Company recognised an impairment in the SPM Receivables of approximately US$0.39 million (equivalent to approximately HK$3.1 million) for FY2018, which represented the difference between (i) the carrying amount of the SPM Receivables as at 31 March 2018 of US$3.73 million (equivalent to approximately HK$29.3 million); and (ii) the fair value of the 85% equity interest in SPM of approximately US$3.34 million (equivalent to approximately HK$26.2 million) based on an internal cash flow valuation prepared by the Management by reference to the average tariff of 16 PPAs executed during August and September 2017 with hydropower plants located in North Sumatera (in the vicinity of SPM's plant). No new PPAs were executed after September 2017.

Further information on the Stand Ascent Disposal is set out in the section headed "Business update after the reporting period" below.

(ii) Limited partnership to China Environment Fund V, L.P.

In June 2017, the Group entered into a limited partnership agreement (the "**LP Agreement**") with CEF V Management, L.P. (being the general partner of the partnership) and Tsing Capital (HK) Limited (being the management company of the partnership). Pursuant to the LP Agreement, the Group shall contribute US$5 million (equivalent to approximately HK$39,000,000) as its capital commitment to the partnership. The primary purpose of the partnership is to make venture capital investments, including investing in and holding equity and equity-oriented securities of companies with a nexus to the PRC and focus on the clean-tech-related sectors. During the year, no capital contribution was made by the Group.

Further information on the LP Agreement is set out in the section headed "Business update after the reporting period" below.

(iii) Update on the repayment of the Tianjin Loan (as defined below)

In January 2016, Prime World, an indirect wholly-owned subsidiary of the Company entered into a letter of intent with a Tianjin company (the "**Tianjin Group**") and its subsidiary (the "**Tianjin Company**"), to acquire 51% equity interest in Tianjin Company from Tianjin Group subject to execution of a formal sale and purchase agreement upon satisfaction of due diligence work. Prime World had paid an earnest money in the form of loan of RMB15.5 million (equivalent to approximately HK$18.4 million) (the "**Tianjin Loan**") to Tianjin Company for exclusivity period granted by Tianjin Group. No formal sale and purchase agreement was entered into during FY2017 and FY2018. Up to 31 March 2017, the outstanding principal of the Tianjin Loan amounted to RMB14.5 million (equivalent to approximately HK$16.3 million). As at 31 March 2018, the outstanding loan principal amount of the Tianjin Loan was RMB10,624,500 (equivalent to approximately HK$13.2 million). As at the date of this announcement, a further RMB456,000 was repaid by the Tianjin Company.

Business update after the reporting period

1. Shenzhen Plant at the Temporary Site

On 3 January 2019, Prime World entered into the Supplemental Shenzhen Agreement to revise the consideration for the remaining 15% equity interest in Shenzhen Xinbao to RMB800,000 with a view to disposing of the entire equity interest in Shenzhen Xinbao to an independent third party. On 7 January 2019, Prime World entered into an agreement with such an independent third party in respect of Shenzhen Disposal for a consideration of RMB9,500,000. It is expected that completion of the Shenzhen Disposal would take place by February 2019. Upon the completion of the Shenzhen Disposal, Shenzhen Xinbao will no longer be consolidated into the financial statements of the Group.

2. Hanzhong Plant

While the government of Hanzhong City is currently in search for site for the Hanzhong Plant, it also proposed to commenced the pre-feasibility studies of the Hanzhong Proposition in October 2018 but was subsequently postponed and expected to take place in March 2019.

3. *Stand Ascent Disposal*

As mentioned above, the Company in conjunction with the Dominating Indonesian Parties had tried to recover the DSE Receivables and the SPM Receivables by way of disposal of the equity interests in DSE and SPM. The Potential SOE Investor had indicated interests in acquiring certain percentage of equity interest in SPM. To this end, Stand Ascent entered into the 2018 SPM Agreement to acquire additional 5% equity interest in SPM (the "**Acquired SPM Shares**") for a consideration ranging from US$183,500 to US$325,000 (equivalent to approximately HK$1.4 million to HK$2.6 million) on 26 April 2018 with a view to disposing of required percentage of equity interest in SPM to the Potential SOE Investor. A deposit of US$180,000 (equivalent to approximately HK$1.4 million) (the "**2018 SPM Deposits**") was paid. Despite this, negotiation with the Potential SOE Investor had fallen through at the end because the due process needed to go through by the Potential SOE Investor for its internal approval had taken too long, and the negotiation was finally overtaken by the Stand Ascent Disposal Agreement.

On 29 June 2018, PML entered into the Stand Ascent Disposal Agreement with Fujian Jiahe, and the Dominating Indonesian Parties to dispose of its 100% equity interest in Stand Ascent. The sole assets of Stand Ascent being 49% equity interest in DSE (as collateral for the security of the DSE Receivables) and 85% equity interest in SPM (as to 80% held by it as collateral for the security of the SPM Receivables and as to 5% equity interest being the Acquired SPM Shares).

The consideration attributable for the 49% equity interest in DSE of US$2.2 million (equivalent to approximately HK$17.3 million) (the "**DSE Attributable Consideration**") referred to the same amount of consideration for 49% equity interest in DSE under the FJ-DSE Agreement and had been paid to Stand Ascent directly by Fujian Jiahe in September 2018 for the settlement of the DSE Receivables by Xu.

The consideration attributable to 85% equity interest in SPM ranging from US$3.12 million to US$5.53 million (the "**SPM Attributable Consideration**") is subject to the tariff to be agreed under the SPM-PPA or the valuation of SPM appraised by jointly appointed valuer (whichever was the lower). Shall the tariff is lower than US7.9 cents, Stand Ascent Disposal Agreement would be terminated. As at the date of this announcement, a deposit of US$500,000 was paid to PML in respect of the 85% equity interest of SPM.

The DSE Attributable Consideration was determined by reference to the internal financial projections on DSE estimated based on the actual tariff agreed between DSE and PLN under the DSE-PPA. The SPM Attributable Consideration was determined based on (i) the expected range of tariff to be agreed under SPM-PPA with reference to the tariffs reached by other hydropower projects with similar installed capacity; and (ii) the expected internal rate of return on the investment in SPM.

On 6 July 2018, the parties entered into a supplemental agreement (the "**First Supplemental Stand Ascent Disposal Agreement**") to stipulate that if the payment conditions for the SPM Attributable Consideration (including but not limited to the development permits and other permits/approvals having been obtained from the relevant government authorities) have not been fulfilled before the long stop date (being 31 October 2018), Stand Ascent shall transfer to PML or its designated parties the 85% equity interest in SPM presently held by it (as to 80% equity interest as collateral for the security of the SPM Receivables and as to 5% equity interest being the Acquired SPM Shares). In short, completion of the Stand Ascent Disposal shall take place even if the payment conditions relating to SPM are not fulfilled, in which case only the DSE interests will remain with Stand Ascent and the 85% equity interests in SPM will be transferred back to PML before completion of the Stand Ascent Disposal as collaterals for security of the SPM Receivables until the SPM Receivables have been fully settled by the Dominating Indonesian Parties.

As at the date of this announcement, Fujian Jiahe has confirmed in writing that the payment conditions to the DSE Attributable Consideration have been fulfilled and a total of approximately US$2.2 million (equivalent to approximately HK$17.3 million), representing the entire DSE Attributable Consideration had been paid to Stand Ascent by Fujian Jiahe as settlement of the DSE Receivables by Xu.

However, the payment conditions regarding SPM as provided in the Stand Ascent Disposal Agreement including but not limited to the signing of the SPM-PPA, the approval of the final feasibility study by the PLN, and other relevant permits and approvals to be obtained from the relevant government authorities are yet to be fulfilled. The completion of the Stand Ascent Disposal is yet to take place.

Announcement(s) will be made by the Company on the progress of the Stand Ascent Disposal as and when appropriate.

4. Settlement of the DSE Receivables and the SPM Receivables

Set out below is a summary of the recovery status of the DSE Receivables and the SPM Receivables as at the date of this announcement and the impairment made as at 31 March 2018:

US$'million	As at 31 March 2018	Repayment by proceeds received under the Stand Ascent Disposal Agreement by the date of this announcement	Repayment by the Indo Project Proceeds by the date of this announcement	Outstanding amounts owed to the Group as at the date of this announcement without considering the impairment loss	Impairment as at 31 March 2018
DSE Receivables	3.3	1.2	0.5	1.6	1.6
SPM Receivables	3.7	0.5	—	3.2	0.4 *(Note)*
Advances to Vendors	0.4	—	0.4	—	—

Note: The impairment of SPM Receivables was determined based on fair value of the 85% equity interest in SPM of approximately US$3.3 million deducted by the outstanding amount of the SPM Receivables as at 31 March 2018.

5. Latest developments of industrial water treatment business

Memsys Assets

In May 2018, the Group entered into an agreement (the "**Transfer Agreement**") to transfer all the rights and ownership of Memsys Assets to Cevital International (Dubai) Ltd (the "**Memsys Purchaser**") for the consideration of EUR3.5 million (equivalent to approximately HK$32.0 million) ("**Transfer**"), resulting in a gain on disposal of approximately HK$13.8 million. As part and parcel of the Transfer Agreement, the Group also entered into a cooperation agreement with the Memsys Purchaser to set up a Memsys JV as to 50% by the Group and as to 50% by the Memsys Purchaser) for the purpose of developing the market for the Memsys technology and its technical equipment in Asia with its exclusive rights to apply the Memsys technology in the PRC granted by the Memsys Purchaser. The Group and Memsys Purchaser shall contribute HK$11.7 million as the share capital of the Memsys JV.

The Transfer was completed on 23 July 2018 and Memsys JV was established on 18 September 2018.

TDR

Subsequent to reporting period, the Group has engaged in further negotiation with TDR Owners with a view to reviewing the possible cooperation with TDR given the synergies between the technology and know-how of the Group in membrane distillation system and the back-end system for concentrated water possessed by TDR. Having considered the possible technological cooperation between the Group and TDR, the TDR Owners has agreed in principle to allow the Group to take a participation in the equity of TDR on the basis of not more than RMB800 million (equivalent to approximately HK$998 million) for 100% of TDR. In such case the equity participation will be in the maximum of 3.25% for a consideration of RMB26.0 million (equivalent to approximately HK$32.4 million) which will be deemed to have been satisfied by the TDR Deposit.

6. The Vimab Acquisition (defined below) and settlement of the outstanding subscription monies

On 3 May 2018, First Bravo Development Limited ("**FBD**"), a wholly owned subsidiary of the Company, entered into a share purchase agreement (the "**Vimab Agreement**") with P.H.M Holding AB ("**PHM**") and Friction Invest AB ("**FI**") as vendors and Henrik Melinder ("**Melinder**") and Christer Larsson ("**Christer**") as guarantors, to acquire the entire issued share capital of Vimab Holdings AB ("**Vimab**") for a total consideration of HK$170,524,000 (the "**Vimab Acquisition**"). Melinder was the ultimate beneficial owner of PHM and was guarantor of PHM while Christer acted as the guarantor of FI.

Vimab is a company incorporated in Sweden and, together with its operating subsidiaries (the "**Vimab Group**"), is engaged in provision of high-tech industrial service in valve services and maintenance, tank cleaning and other equipment services.

Pursuant to the Vimab Agreement, the consideration for the Vimab Acquisition was to be satisfied as to (i) approximately HK$23.0 million in cash; and (ii) approximately HK$147.5 million by way of the allotment and issue of 42,137,142 new Shares (the "**Consideration Shares**") at the issue price of HK$3.5 per Share. The Consideration Shares represented approximately 7.36% of the issued share capital of the Company as enlarged by them, and 19,488,428 new Shares out of the Consideration Shares are subject to a lock-up period, which will be released upon fulfilment of certain financial benchmarks by the Vimab Group for the financial year ended or ending (as the case may be) 31 December 2018 and 2019. Details of the lock-up arrangement are set out in the announcement of the Company dated 3 May 2018.

The Vimab Acquisition was completed on 31 May 2018.

One of the conditions precedent of the Vimab Agreement was that 13 key employees of the Vimab Group (the "**Subscribers**") shall each have entered into a subscription agreement as subscribers with the Company to subscribe for a total of 5,380,000 Shares at the total subscription price of HK$18,830,000 (i.e. HK$3.5 per Share) (collectively, the "**Employees Subscription Agreements**"). The Employees Subscription Agreements were all entered into on 31 May 2018.

It was subsequently discovered that 12 out of 13 Subscribers had made their respective payments for their subscription shares in a total subscription amount of HK$17,066,000 to Melinder with the understanding that Melinder would deliver the money to the Company on their behalf for the purpose of completing their respective Employees Subscription Agreements. However, Melinder had not delivered the subscription monies to the Company.

To settle the claims against Melinder for the subscription monies in the total amount of HK$17,066,000 (the "**Claims**"), on 22 August 2018, the Company, FBD and the 12 Subscribers entered into a deed of settlement (the "**Settlement Deed**") with Melinder and PHM, which is one of the vendors of the Vimab Agreement and is wholly and beneficially owned by Melinder. The salient terms of the Settlement Deed were:

(i) PHM shall lodge all the Consideration Shares it received under the Vimab Agreement (i.e. 21,068,571 Shares, representing 50% of the total Consideration Shares) (the "**Pledged Shares**") with the Company and/or its designated parties; and

(ii) the Company and Melinder shall instruct, or arrange to instruct, relevant brokers to identify buyers for the Pledged Shares upon the lifting of the suspension on trading of the Shares on the Stock Exchange under the following price control mechanism:

    1. the sales of the Pledged Shares shall be on the open market but may also be sold in a block in an off-market transaction to independent third parties who are not connected persons of the Company;

    2. the selling price of the Pledged Shares shall not be discounted for greater than 30% of the open market price and subject to a price floor of HK$2.45 per Share;

    3. the sale of the Pledged Shares shall immediately be ceased once the proceeds from the sale of the Pledged Shares is sufficient satisfied the Claims; and

    4. all cash proceeds of the sales made by the brokers shall be remitted to the Company.

As at the date of this announcement, PHM had lodged the Pledged Shares with the Company according to the terms of the Settlement Deed and 9,742,214 Shares out of 21,068,571 Pledged Shares are still subject to the lock-up arrangement subject to the fulfilment of certain financial benchmark for the year ending 31 December 2019. Only 11,326,357 Pledged Shares are freely transferrable. In the event that the sale proceeds from the freely transferrable Pledged Shares be not sufficient to cover the Claims, the Company and the 12 Subscribers may further negotiate with PHM and Melinder to explore alternate settlement mechanism such as (i) amend the terms of the Settlement Deed; (ii) amend the terms of the Subscription Agreements with the subscribers; or (iii) if (i) and (ii) are not feasible, take legal actions against the relevant parties.

Details of the Vimab Share Purchase Agreement and the Settlement Deed were set out in the Company's announcements dated 3 May 2018, 23 May 2018, 31 May 2018, 21 June 2018, 23 August 2018 and 2 October 2018.

Announcement(s) will be made to update the Shareholders with latest development of the settlement as and when appropriate.

7 *Triggering for immediate repayment for Convertible Bonds (as defined below)*

The suspension for continuous period of 30 business days on which the Stock Exchange is generally open, is considered as an event of default pursuant to the terms and conditions of the subscription agreement for convertible bonds with Forest Water Environmental Engineering Co., Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 8473) with limited liability ("**Forest Water**"). As the trading of the shares of the Company have been suspended for more than the stipulated period (i.e. 30 business days) according to the terms of the convertible bonds in the principal amount of US$5,000,000 issued to Forest Water (the "**Convertible Bonds**"), Forest Water may give notice in writing to the Company for immediate repayment for outstanding principal and interests.

The Company has been negotiating with Forest Water, for the settlement arrangement about the repayment for outstanding principal and interests.

Up to the date of this announcement, no formal agreement has been reached where Forest Water has also not served any writing notice for repayment.

8. *Termination of LP Agreement*

As the fund under the LP Agreement has not been launched, the parties to the LP Agreement entered into a withdrawal deed on 24 January 2019 pursuant to which the Group shall withdraw from the partnership under the LP Agreement, and the Group is not obliged to make any capital contribution to the partnership nor incurred any management fee payable.

Details of which are set out in the Company's announcement dated 24 January 2019.

Outlook

In the coming year, the Group will continue to focus on its principal businesses including the Construction Business, the Construction-related Business and the Environmental Protection Business.

In the 19th National Congress of the Communist Party of China (the "**Congress**") held in October 2017, the Chinese government affirmed its commitment to green development and ongoing efforts in building an ecological civilisation to create harmonious co-existence between man, taking into account the scarcity of clean water and depleting natural resources in the PRC. Zero-liquid discharge is now a mandatory requirement for various heavy industry segments such as power plant, coal, petrochemical and pharmaceutical industry. This explained why the Group has been pursuing various business opportunities in respect of proven technology in achieving zero-liquid discharge in kitchen waste treatment and industrial water treatment, such as the Clear Industry Acquisition and the Vimab Acquisition.

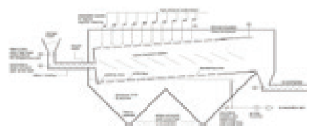
The Group always has a vision to develop its business in the industrial waste water treatment business by providing a one-stop solution including design, build, service, and maintenance. Vimab Group is a Swedish high-tech industrial service group with advanced technology know-how as well as state-of-art machinery and products that can cater the needs of the heavy industry segments by providing service and maintenance on on-site valve service and repair. The next area that the Group would like to expand to through the Vimab Group is the enormous tank, pipeline, and valve maintenance market in the PRC.

It is also a goal of the Group to establish itself as a prominent provider of environmental protection services in kitchen waste treatment business with competing edges in processing technology and efficiency in achieving the optimal standard of "zero-liquid discharge, zero contamination". The Clear EPC Group, which is a non-wholly-owned subsidiary of the Group acquired in December 2016, is principally engaged in provision of EPC services to the external clients as well as the members of the Group for the construction and design of the Group's kitchen waste plants (i.e. Taiyuan Plant, Loudi Plant and Hefei Plant) with view to installing a fully-integrated treatment processing line that can optimize the efficiency of the operation. Notwithstanding that there were reduced new contracts in respect of its EPC services for the Year, the Company is optimistic about the prospects in particular the future demand for the fully-integrated EPC solutions of kitchen waste treatment process supported with the proven technology and patented equipment of the Group. The Group will continue its business direction to develop the Environmental Protection Business and will strengthen its sales and marketing efforts in promoting its EPC solutions and the technical know-how for the application in different environmental protection projects. Set out below is an illustration of the fully-integrated kitchen waste treatment process designed by the Group with its technical know-how and patented equipment supported throughout the process:

- Kitchen wastes are collected to the plant for treatment.

↓

- For screening and separation of large and heavy residue; removal of organic substances and grease.



Feed hopper and rotating drum sieve

↓

Black soldier fly (BSF) farming
- Organic fine residue from kitchen waste is used for BSF farming.

←

Rotating strainer

- For solid-liquid separation; and organic fine residue is discharged in this process.

↓

De-greasing process

- For gravity degreasing and three-phase centrifugation. Grease is removed from kitchen slurry and ether extract from the separation process is further refined with a three-phase centrifuge.

↓

Anaerobic fermentation

- Organic substances in kitchen slurry are transformed into biogas by anaerobic fermentation.

↓

Colsen

Aerobic treatment

- Sewage from kitchen waste is treated with the biological denitrification technique, where organic substances and ammonia nitrogen is removed from the sewage.

↓

MBR

- Ultrafiltration and nanofiltration techniques are used for the deep treatment of water discharged from the aerobic system. Concentration of suspended materials and organic substances in water is further reduced in order to meet the relevant requirements.

↓

memsys®

- Concentrated water from the nanofiltration process is further concentrated with the Memsys membrane distillation technique to become concentrated solution of humic acid.

Set out below are the patents and techniques applied in the treatment process, which are either owned by the Group or under substantive examination process for patent application. It is expected to take two years to have the certificate issued.

Process procedures	Patent(s) involved (authorized or under examination)
Feed hopper and rotating drum sieve	1. Hopper grille, authorized 2. A zero-emission kitchen waste treatment technique, under examination 3. Kitchen waste treatment method, authorized 4. Rotating drum sieve for kitchen waste washing treatment, authorised 5. A zero-emission kitchen waste treatment technique, under examination 6. Kitchen waste treatment method, authorised
Rotating strainer	Nil
De-greasing system	1. Grease separation and collection system, authorized 2. Kitchen waste degreasing method, under examination 3. A zero-emission kitchen waste treatment technique, under examination 4. Kitchen waste treatment method, authorised
Anaerobic fermentation	1. Anaerobic reactor for high-efficiency mixing and separation, authorised 2. Anaerobic reactor, authorized 3. A zero-emission kitchen waste treatment technique, under examination 4. Kitchen waste treatment method, authorised
BSF farming system	1. Cam-driven lifting and transporting device for maggot larvae farming system, authorised 2. Lifting and positioning device for maggot larvae farming system, authorised 3. Maggot larvae farming system for organic solid waste treatment, authorised 4. Horizontal transportation device for maggot larvae farming system, authorised 5. Farming device for maggot larvae farming, authorised 6. 3-dimensional, double pull-out device for BSF larvae farming, authorised

Process procedures	Patent(s) involved (authorized or under examination)
	7. A zero-emission kitchen waste treatment technique, under examination
Aerobic treatment	1. Denitrification system for kitchen waste sewage treatment, authorised 2. A zero-emission kitchen waste treatment technique, under examination
MBR	Nil
Memsys membrane distillation	1. Device for concentrating and extracting humic acid from kitchen waste sewage, authorised 2. A zero-emission kitchen waste treatment technique, under examination

FINANCIAL REVIEW

Results of the Group

During the Year, revenue of the Group decreased by approximately 25.1% to approximately HK$928.5 million (2017: HK$1,239.8 million), in which it also incurred segment losses in the Construction Business and Environmental Protection Business. Further discussion and analysis on the financial performance of each business segment of the Group is set out in the section headed "Business Review" above.

Loss for the Year attributable to owners of the Company amounted to approximately HK$224.8 million (2017: profit of approximately HK$47.6 million).

Basic loss per share was HK43.61 cents (2017: Basic earnings per share of HK10.45 cent).

Other income and gains, net

Other income and gains, net, increased by approximately HK$66.4 million from approximately HK$11.7 million for the year ended 31 March 2017 to approximately HK$78.1 million for the Year. The increase was mainly attributable to the recognition of derivative financial instrument in respect of contingent consideration asset arising from Suzhou Commitments.

Other expenses

Other expenses increased by approximately 10.4 times from approximately HK$16.8 million to approximately HK$192.2 million for the Year. The other expenses mainly included the impairment of (i) other receivables of approximately HK$15.9 million for the outstanding DSE Receivables and the SPM Receivables, (ii) loan receivables of approximately HK$14.1 million attributable to the impairment of the Tianjin Loan; (iii) goodwill of HK$114.8 million arising from the Clear Industry Acquisition and the Shenzhen Acquisition; and (iv) the intangible assets of approximately HK$24.4 million in respect of the Technical Know-how of Clear Industry due to disappointing financial performance of Clear Industry.

Liquidity and Financial Resources

As at 31 March 2018, the total assets of the Group increased by approximately 13.9% to approximately HK$1,638.9 million from approximately HK$1,438.3 million as of 31 March 2017. The Group also maintained relatively stable growth in the financial position during the Year. As at 31 March 2018, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$66.7 million (as at 31 March 2017: approximately HK$173.1 million).

The total interest-bearing loans comprising finance leases, bank and other borrowings and convertible bonds (liability component) of the Group as at 31 March 2018 was approximately HK$294.4 million (as at 31 March 2017: approximately HK$211.4 million), and current ratio for the Year was approximately 1.26 (as at 31 March 2017: approximately 0.94).

The Group's borrowings and bank balances are principally denominated in Hong Kong dollars and Renminbi ("**RMB**") and there may be significant exposure to foreign exchange rate fluctuations.

As mentioned in the section headed "Business update after the reporting period" above, the suspension of trading of Company's Shares triggered the repayment clause of the instrument of the Convertible Bonds. As at the date of this announcement, the Company is negotiating with Forest Water (i.e. the holder of the Convertible Bonds) in respect of the settlement arrangement.

Gearing ratio

The gearing ratio as at 31 March 2018 was approximately 72.5% (as at 31 March 2017: approximately 43.7%).

The increase in gearing ratio was mainly attributable to the increase in overall Group's borrowings and decline in equity attributable to the owner of the Company during the Year.

The gearing ratio is calculated as the payables incurred not in the ordinary course of business (excluding loan from a related companies/directors/shareholders) divided by total equity attributable to the owners of the Company as at the respective years.

Pledge of assets

As at 31 March 2018, the Group pledged certain assets including (i) bank deposits of approximately HK$5,000,000 (31 March 2017: approximately HK$12,438,000), and (ii) property, plant and equipment with carrying values of approximately HK$25,884,000 (31 March 2017: approximately HK$77,993,000), as collateral to secure the facilities granted to the Group.

The Group also guaranteed certain facilities through certain proceeds from the Group's service concession arrangements, equity interests in subsidiaries of the Group and the prepaid lease payments and equipments.

Foreign exchange exposure

Certain revenue-generating operations and assets and liabilities of the Group are denominated in RMB and EUR and may expose the Group to the fluctuation of Hong Kong dollars against RMB and EUR. The Group did not enter into any hedging arrangement or derivative products. However, the Board and management will continue to monitor the foreign currency exchange exposure and will consider adopting certain hedging measures against the currency risk when necessary.

Capital structure

During the Year, the Group has issued convertible bonds in the aggregate principal amount of US$5,000,000, and allot and issue 10,164,000 new shares, details of which are set out in the Company's announcement dated 3 October 2017 with defined terms thereof and summarised below:

Issue of Convertible Bonds

The Company entered into a subscription agreement with Forest Water, pursuant to which the Company has conditionally agreed to issue, and Forest Water has conditionally agreed to subscribe for the Convertible Bonds with an aggregate principal amount of US$5,000,000.

The Convertible Bonds bear interest at 6.5% per annum, with a yield to maturity at 12% per annum internal rate of return applied on the principal amount. The initial Conversion Price is HK$3.50, subject to adjustment for, amongst other things, subdivisions, consolidations, reclassification of Shares or capitalisation of profits or reserves which may have a diluting effect on Forest Water.

The Conversion Price shall be subject to a full ratchet anti-dilution adjustments in the event that the Company issues additional equity securities, other than the shares reserved for employee shares as share option scheme, i.e. if the per Share price of the newly issued Shares is lower than the then Conversion Price, Conversion Price shall be downward adjusted to the same as the price of the newly issued Shares.

The gross proceeds from such subscription were US$5,000,000 (equivalent to approximately HK$39,008,000). The net proceeds, after deducting all relevant costs and expenses, was approximately HK$38,000,000.

Allotment and issue of new shares

Reference is made to the Company's announcement dated 27 November 2017. The Company entered into a subscription agreement with Seasons Apparel International Inc. ("**Seasons Apparel**"), a company incorporated in the British Virgin Islands with limited liability, pursuant to which the Company has conditionally agreed to allot and issue, and Seasons Apparel has conditional agreed to subscribe for 10,164,000 subscription shares at a subscription price of HK$3.71 per subscription share. The gross proceeds from such subscription were approximately HK$37.7 million.

The proceeds from (i) the convertible bonds; and (ii) allotment and issue of the subscription shares were intended to be used for the Company's investment in its kitchen waste and water treatment businesses and as general working capital. As at 31 March 2018, the Group had utilised all the net proceeds for the development of the kitchen waste treatment business.

Capital commitments

As at 31 March 2018, the Group had capital commitment of approximately HK$26,635,000 (as at 31 March 2017: approximately HK$112,398,000) in relation to the projects of the Group under the ordinary course of business. At 31 March 2018, the Group also had capital commitment of US$5,000,000 (equivalent to approximately HK$39,241,000) in relation to capital injection to a limited partnership.

Human resources management

As at 31 March 2018, the Group had 440 employees, including Directors (as at 31 March 2017: 374 employees, including Directors). Total staff costs (including Directors' emoluments) were approximately HK$108,912,000 for the Year as compared to approximately HK$143,605,000 for the year ended 31 March 2017. Remuneration was determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefit, injury insurance and share options.

Significant investments held

As at 31 March 2018, the Group held approximately 10.33% of the total issued share capital of Josab Water Solutions AB (formerly known as "Josab International AB"), the shares of which are listed on Spotlight Stock Market (formerly AktieTorget), a stock exchange in Sweden.

Save as disclosed above and except for investment in subsidiaries, during the Year, the Group did not hold any significant investment in equity interest in any other company.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed herein, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Year.

Contingent liabilities

As at 31 March 2018, the Group had outstanding performance bond for construction contracts amounting to approximately HK$58.4 million (as at 31 March 2017: approximately HK$91.5 million).

The Company has agreed to provide the corporate guarantee for the due performance of the repayment obligations of the wholly-owned subsidiary of TDR up to an aggregate amount of RMB153,986,000 under principal agreements dated 14 July 2017 entered into between such TDR's subsidiary and CITIC Financial Leasing Co., Ltd.

In consideration of the corporate guarantee provided by the Company, TDR entered into the counter-guarantee agreement with the Company, pursuant to which, TDR has agreed to provide to the Company the guarantee fee and the counter-guarantee in respect of such corporate guarantee.

Differences of the unaudited management accounts

Reference is made to the unaudited management accounts announcement dated 26 July 2018 (the "**Unaudited Management Accounts Announcement**"). As disclosed in the Unaudited Management Accounts Announcement, the Group recorded loss before taxation of HK$276,710,000 and net asset value was HK$445,889,000. As disclosed in this announcement, the audited loss before taxation was HK$268,336,000 and net asset value was HK$482,071,000.

The differences were mainly resulted from the adjustments for the purchase price allocation arising from acquisition, fair value of contract revenue in respect of the construction of kitchen waste treatment plants, related effect on deferred taxation and non-controlling interest, and reduction of impairment of other receivables for DSE Receivables with reference to the subsequent settlement.

The Board wishes to emphasise that most of the aforesaid adjustments are non-cash in nature and therefore do not have any substantial adverse impact on the operating cash flows of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with all Directors, and all Directors confirmed in writing that they have complied with the required standards as set out in the Model Code regarding their securities transactions for the Year.

Corporate Governance Practices

The Board believes that good corporate governance is one of the areas leading to the success of the Company and balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancement of the efficiency and effectiveness of such principles and practices.

The Company has adopted the compliance manual which sets out the minimum standard of good practices concerning the general management responsibilities of the Board with which the Company and the Directors shall comply and which contains, among other things, the code provisions of the corporate governance codes (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board considers that the Company has complied with the code provisions set out in the CG Code during the Year.

The Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial year ended 31 March 2018; and (ii) publishing the annual report for the year ended 31 March 2018. Such delay has constituted non-compliance with Rules 13.46(2)(a) and 13.49 of the Listing Rules.

The Company failed to hold its annual general meeting for the year ended 31 March 2018 within the times stipulated under the Listing Rules and the articles of association of the Company (the "**Articles**"). Circular and the notice for the annual general meeting will be dispatched as soon as reasonably practicable.

Audit Committee

The audit committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference. The latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

A summary of work of the audit committee during the Year is as follows:

- met with the external auditors, reviewed and made recommendations for the Board's approval on the annual and interim results and reports of the Company;
- reviewed and approved audit fee;
- recommended the re-appointment of Ernst & Young as auditors, subject to the shareholders' approval at the annual general meeting; and
- reviewed the effectiveness of the Company's risk management and internal control systems.

Extract from Independent Auditor's Report

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the FY2018:

"Qualified opinion

We have audited the consolidated financial statements of New Concepts Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

As disclosed in notes to the consolidated financial statements, the Group paid deposits for the potential acquisitions of equity interests in PT. Dempo Sumber Energi ("DSE") and PT. Sumatera Pembangkit Mandiri ("SPM"). In addition, the Group paid certain expenses and advanced loans to DSE and SPM and their beneficial shareholders. The aggregate amount of these payments of approximately HK$66,306,000 (2017: HK$64,745,000) was accounted for as receivables and included in prepayments, deposits and other receivables. However, we have been unable to obtain sufficient audit evidence to ascertain the nature of these payments, and thus we are unable to satisfy ourselves as to (i) the appropriateness of the accounting for these payments as receivables as at 31 March 2018 and 31 March 2017; (ii) whether the impairment of HK$15,854,000 for the receivables during the year ended 31 March 2018 was appropriate or adequate; (iii) whether an impairment was required on the carrying amount of the receivables as at 31 March 2017; and (iv) the completeness and accuracy of the respective disclosures in the notes to the consolidated financial statements."

Supplementary information regarding the qualified opinion

The Auditor has expressed a qualified opinion on the receivables in respect of the DSE Receivables and the SPM Receivables. Set out below are the supplementary information regarding the aforesaid qualified opinion:

1. Background of the DSE Receivables and the SPM Receivables

A detailed chronology of events for better comprehension of the circumstances leading to the alterations to the terms and nature of the DSE Acquisition and the SPM Acquisition and the resulting Management's decisions are set out in the section headed "(i) Hydropower projects in Indonesia" above in this announcement.

2. Management's position

The Management considers that the nature of the DSE Receivables and the SPM Receivables as at 31 March 2018 as receivables and the impairments made thereon as at 31 March 2018 were appropriate on the bases that:

(i) the legal opinions obtained by the Management confirmed that Stand Ascent does not have beneficial interests in DSE or SPM and it holds the DSE Shares and the SPM Shares merely as a custodian for collateral purpose;

(ii) the Repayment Deed serves as an evidence that both the Group and the Dominating Indonesian Parties acknowledged the nature of the payments as receivables to be repaid by the Dominating Indonesian Parties;

(iii) the impairment to the DSE Receivables (i.e. US$1.6 million) as at 31 March 2018 was determined based on the initial outstanding DSE Receivables (i.e. US$4.3 million) deducting the subsequent repayments made by the Dominating Indonesian Parties via proceeds attributable to the DSE Shares pursuant to the Stand Ascent Disposal Agreement (i.e. US$2.2 million) and via proceeds from other hydropower projects under the Repayment Deed (i.e. US$0.5 million);

(iv) the impairment on the SPM Receivables as at 31 March 2018 (i.e. US$0.4 million) was determined based on based on the outstanding SPM Receivables (i.e. US$3.7 million) as at 31 March 2018 deducting the fair value of 85% equity interest in SPM (i.e. US$3.3 million) prepared internally by the Management based on the average tariff of the latest 16 PPAs signed by the hydropower plants located in the vicinity of SPM's plant as extracted from a research report issued by a reputable accounting firms.

3. *Potential impact on the Company*

Since the Auditor has been unable to obtain sufficient audit evidence to ascertain the nature of the payments (i.e. the DSE Receivables and the SPM Receivables) of HK$66,306,000 (2017: HK$64,745,000) as at 31 March 2018 in the annual results of the Company for FY2018, and thus is unable to satisfy themselves as to (i) the appropriateness of the accounting for these payments as at 31 March 2018 and 31 March 2017; (ii) whether the impairment of approximately HK$15.9 million for the payments during the Year was appropriate or adequate; (iii) whether an impairment was required as at 31 March 2017; and (iv) the completeness and accuracy of the respective disclosures in the notes to the consolidated financial statements, any adjustments found to be necessary in respect of the above would affect the Company's consolidated statement of financial position or profit or loss for FY2018 and the related disclosures thereof in the consolidated financial statements.

4. *View of the audit committee and Management's position*

A meeting was held on 14 February 2019 by the audit committee of the Company (the "**Audit Committee**") for the purpose of approving the audited consolidated financial statements of the Company for FY2018.

Having carried out independent review of and enquiries on the subject transaction, the Audit Committee concurred with the management's explanation and position on the accounting treatment of the DSE Receivables and the SPM Receivables and the impairment made for FY2018.

5. Action plans to address the qualification of opinion, timetable for implementation and the latest progress

The Management considers that the qualification of opinion can be addressed once the Stand Ascent Disposal is completed. As informed by PLN, the pre-approval of the SPM-PPA will be announced by the end of March 2019 and it is expected that the SPM-PPA will be entered into by PLN and SPM and thus completion of the Stand Ascent Disposal will take place prior to the publication of the annual results announcement for the year ending 31 March 2019. Once the Stand Ascent Disposal is completed, the impairment amount of the DSE Receivables and the SPM Receivables will be substantiated by the proceeds received by Progressive Merit from the Dominating Indonesian Parties. In this circumstance, the qualification will not have impact on the statement of financial position for the year ending 31 March 2019 save for the opening.

Final Dividend

The Board does not recommend a payment of a final dividend to the shareholders for FY2018 (FY2017: nil).

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for FY2018 as set out in this preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this preliminary announcement.

Delay in publication of the annual results and despatch of annual report for FY2018

Pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish the annual results of the Group for FY2018 (the "**FY2018 Annual Results**") on a date not later than three months after the end of the financial year, i.e. 30 June 2018. Pursuant to Rule 13.46(2) of the Listing Rules, the Company is required to send FY2018 Annual Report to its shareholders not less than 21 days before the date of the Company's annual general meeting and in any event not more than four months after the end of the financial year to which they relate, i.e. 31 July 2018.

As the publication of the FY2018 Annual Results and the despatch of the FY2018 Annual Report were delayed beyond the stipulated requirements mentioned above, such delay constitutes non-compliance with Rule 13.49(1) and Rule 13.46(2) of the Listing Rules.

The Board expects that the FY2018 Annual Report together with the interim report for the six months ended 30 September 2018 will be despatched to the shareholders of the Company by the end of February 2019.

FULFILLMENT OF RESUMPTION CONDITIONS

As disclosed in the announcement of the Company dated 24 October 2018, the Stock Exchange issued a letter to the Company on 23 October 2018 setting out the following conditions for resumption of trading of the Shares (the "**Resumption Conditions**"):

(i) the Company having published all outstanding financial results required by the Listing Rules and addressed audit qualifications (if any); and

(ii) the Company having informed the market of all material information for the Company's shareholders and investors to appraise its position.

In relation to the Resumption Condition (i) above, the outstanding financial results include the annual results of the Group for the year ended 31 March 2018 (the "**2018 Annual Results**") and the interim results of the Group for the six months ended 30 September 2018 (the "**2018 Interim Results**").

This 2018 Annual Results is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://www.primeworld-china.com.

Now that the 2018 Annual Results and the 2018 Interim Results have been published and all the material information of the Company have been properly disclosed, the Company is pleased to announce that all of the Resumption Conditions have been fulfilled as at the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 3 July 2018. Application has been made to the Stock Exchange for resumption of trading with effect from 9:00 a.m. on 15 February 2019. Trading in the Shares will resume.

Save as disclosed above, the Company is not aware of any inside information in relation to the Company that will need to be disclosed pursuant to the requirements under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under the Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

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

Hong Kong, 14 February 2019

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.

For illustration purposes, amounts in foreign currencies set out in the section headed "Management discussion and analysis" in this announcement are converted at the year end rates of exchange for the statement of financial position items and average rates of exchange for the year for the income statement items.

\# *For identification purpose only*