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 2019

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of New Concepts Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Year**" or "**FY2019**"), together with the comparative figures for the year ended 31 March 2018 ("**FY2018**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4	**1,021,729**	928,457
Cost of sales		**(815,859)**	(938,880)
Gross profit/(loss)		**205,870**	(10,423)
Other income and gains, net	4	**44,152**	78,096
Administrative expenses		**(275,297)**	(145,483)
Expected credit loss on financial and contract assets		**(7,851)**	—
Other expenses, net		**(19,672)**	(173,388)
Finance costs	5	**(62,375)**	(17,138)
LOSS BEFORE TAX	6	**(115,173)**	(268,336)
Income tax credit	7	**15,875**	22,959
LOSS FOR THE YEAR		**(99,298)**	(245,377)
Attributable to:			
Owners of the Company		**(92,663)**	(224,790)
Non-controlling interests		**(6,635)**	(20,587)
		(99,298)	(245,377)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**HK(16.38) cents**	HK(43.61) cents
Diluted		**HK(16.38) cents**	HK(43.61) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2019

	2019	2018
	HK\$'000	*HK\$'000*
LOSS FOR THE YEAR	**(99,298)**	(245,377)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investment	**—**	7,325
Exchange differences on translating foreign operations	**(45,403)**	56,905
Recycle of exchange differences upon disposal of foreign operations	**(577)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(45,980)**	64,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(145,278)**	(181,147)
Attributable to:		
Owners of the Company	**(133,642)**	(166,816)
Non-controlling interests	**(11,636)**	(14,331)
	(145,278)	(181,147)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**217,614**	186,956
Goodwill		**169,698**	27,216
Operating concessions		**346,244**	356,704
Other intangible assets		**69,389**	15,841
Contingent consideration asset		—	61,644
Available-for-sale investment		—	20,859
Receivables under service concession arrangements		**318,996**	325,238
Prepayments, deposits and other receivables		**33,913**	48,674
Retention receivables	*9*	**33,990**	—
		1,189,844	1,043,132
CURRENT ASSETS			
Inventories		**39,366**	4,331
Contract assets		**48,501**	—
Due from contract customers		—	88,878
Trade and retention receivables	*9*	**215,801**	244,292
Receivables under service concession arrangements		**33,188**	35,549
Prepayments, deposits and other receivables		**183,819**	125,210
Loan receivables		**4,255**	28,527
Consideration receivables		**37,232**	—
Contingent consideration asset		**3,724**	—
Financial assets at fair value through profit or loss		**20,732**	—
Due from directors		—	1,646
Tax recoverable		**1,821**	585
Pledged deposit		—	5,000
Cash and cash equivalents		**38,745**	61,726
		627,184	595,744
CURRENT LIABILITIES			
Contract liabilities		**3,247**	—
Due to contract customers		—	14,228
Trade and retention payables	*10*	**201,602**	258,512
Other payables and accruals		**241,378**	109,889
Due to directors		**4,640**	—
Interest-bearing bank and other borrowings		**96,588**	80,966
Tax payables		**7,303**	9,060
		554,758	472,655

	Notes	2019 HK$'000	2018 HK$'000
NET CURRENT ASSETS		**72,426**	123,089
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,262,270**	1,166,221
NON-CURRENT LIABILITIES			
Due to a related company		**384,643**	384,301
Interest-bearing bank and other borrowings		**256,829**	190,075
Retention payables	*10*	**20,977**	—
Convertible bond		—	23,329
Derivative financial instrument		—	14,983
Provision		**31,909**	16,195
Bonds		**25,500**	—
Deferred income		—	8,371
Deferred tax liabilities		**60,003**	46,896
		779,861	684,150
Net assets		**482,409**	482,071
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**57,290**	53,026
Reserves		**361,109**	352,811
		418,399	405,837
Non-controlling interests		**64,010**	76,234
Total equity		**482,409**	482,071

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 is Office B, 3/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in construction works, environmental protection and industrial fluids system services.

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

2 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 financial assets at fair value through profit or loss ("**FVTPL**"), 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.

3 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.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration

Other than as explained below regarding the impact of amendments to HKFRS 9 and HKFRS 15, 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:

A HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, accumulated losses and non-controlling interests ("**NCI**") as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Accumulated losses	
As at 31 March 2018	(68,733)
Recognition of fair value changes arising from transfer of available-for-sale financial assets to financial assets currently measured at FVTPL	7,325
Increase in ECLs in financial assets	(27,058)
Restated as at 1 April 2018	(88,466)
NCI	
As at 31 March 2018	76,234
Increase in ECLs in financial assets	(265)
Restated as at 1 April 2018	75,969
Available-for-sale financial asset revaluation reserve	
As at 31 March 2018	7,325
Reclassify investments from available-for-sale financial assets at fair value to FVTPL	(7,325)
Restated as at 1 April 2018	—

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieve by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(I) As of 1 April 2018, certain investments in listed equity investments were reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL. These equity instrument has quoted price in an active market. The Group intends to hold these unquoted equity investment for trading purposes. As at 1 April 2018, the difference between the previous carrying amount and the fair value of HK$7,325,000 has been reclassified from the available-for-sale financial asset revaluation reserve to accumulated losses.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model. HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents and pledged deposits are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables, retention receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group applied the probability of default based on that of counterparties with similar credit ratings, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(I) Impairment of service concession receivables, trade receivables, retention receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all service concession receivables, trade receivables, retention receivables and contract assets. To measure the ECLs, service concession receivables, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The increase in loss allowance for service concession receivables, trade receivables, retention receivables and contract assets upon the transition to HKFRS 9 as of 1 April 2018 were HK$1,478,000, HK$11,502,000, HK$556,000 and HK$19,817,000 respectively. The loss allowances further increased for HK$496,000, HK$2,024,000, HK$357,000 and HK$4,974,000 for service concession receivables, trade receivables, retention receivables and contract assets during the year ended 31 March 2019.

(II) Impairment of other financial assets

Other financial assets at amortised cost of the Group include contingent consideration asset, prepayments, deposits and other receivables, loan receivables and amounts due from directors. The impact of pledged deposit and cash and cash equivalents is insignificant. Applying the ECL model result in immaterial impairment on 1 April 2018 and for the year ended 31 March 2019.

(III) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held; and

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue.

The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients.

The initial application of HKFRS 15 had no impact to the opening balance of accumulated losses and NCI as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	31 March 2018 as originally presented	**Reclassifications**	**1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	88,878	(88,878)	—
Contract assets			
— Due from contract customers	—	88,878	88,878
Current liabilities			
Amounts due to customers for contract work	14,228	(14,228)	—
Contract liabilities			
— Due to contract customers	—	14,228	14,228

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns; an appropriate proportion of contract revenue and the value of services rendered during the year.

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Construction works	**706,442**	703,689
Sales of construction materials	**58,406**	111,068
Environmental protection — operation income	**84,194**	99,091
Industrial fluids system services	**156,106**	—
Subtotal	**1,005,148**	913,848
Revenue from other sources		
Environmental protection — Finance income	**16,581**	14,609
	1,021,729	928,457
Timing of revenue recognition		
Goods or services transferred at a point in time	**298,706**	N/A
Service transferred over time	**706,442**	N/A
	1,005,148	N/A
Other income		
Bank interest income	**262**	682
Loan interest income	**—**	2,543
Agency fee income	**—**	4,655
Financial guarantee service fee income	**2,704**	2,039
Machinery rental income	**3,583**	1,318
Rental income	**133**	—
Government grants	**10,331**	1,177
Others	**4,684**	4,148
	21,697	16,562
Gains, net		
Gain on disposal of property, plant and equipment	**1,335**	—
Gain on disposal of subsidiaries	**21,120**	—
Fair value gains on derivative financial instruments	**—**	61,534
	22,455	61,534
	44,152	78,096

(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$'000*	Industrial fluids system services *HK$'000*	Total *HK$'000*
Year ended 31 March 2019					
Disaggregated by timing of revenue recognition:					
Point in time	—	**58,406**	**84,194**	**156,106**	**298,706**
Over time	**706,442**	—	—	—	**706,442**
Revenue from other sources	—	—	**16,581**	—	**16,581**
Sales to external customers	**706,442**	**58,406**	**100,775**	**156,106**	**1,021,729**
Intersegment sales	—	**86,628**	—	—	**86,628**
	706,442	**145,034**	**100,775**	**156,106**	**1,108,357**
Reconciliation:					
Elimination of intersegment sales					**(86,628)**
Revenue					**1,021,729**
Segment results	**9,705**	**1,031**	**(41,949)**	**(3,983)**	**(35,196)**
Reconciliation:					
Interest income					**262**
Fair value loss on derivative financial instruments					**(10,357)**
Corporate and unallocated income and gains					**4,503**
Corporate and unallocated expenses					**(12,010)**
Finance costs					**(62,375)**
Loss before tax					**(115,173)**

	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:				
Interest income				3,225
Fair value gains on derivative financial instruments				61,534
Corporate and unallocated income and gains				13,337
Corporate and unallocated expenses				(14,717)
Finance costs				(17,138)
Loss before tax				(268,336)

(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$'000*	Industrial fluids system services *HK$'000*	Total *HK$'000*
As at 31 March 2019					
Segment assets	**399,236**	**8,718**	**1,198,615**	**171,714**	**1,778,283**
Reconciliation:					
Corporate and unallocated assets					**38,745**
Total assets					**1,817,028**
Segment liabilities	**661,908**	**250**	**143,542**	**36,882**	**842,582**
Reconciliation:					
Corporate and unallocated liabilities					**492,037**
Total liabilities					**1,334,619**

	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

(c) Information about major customers

Included in revenue from external customers represented sales to a customer amounting to approximately HK$124,493,000 (2018: HK$226,574,000) contributing over 10% to the total revenue of the Group.

(d) Geographical information

Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**764,848**	814,757
Mainland China	**98,588**	108,921
Sweden	**156,106**	—
Other countries/regions	**2,187**	4,779
	1,021,729	928,457

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

Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**145,091**	176,294
Mainland China	**390,426**	390,963
Sweden	**241,632**	—
Other countries/regions	**25,796**	19,460
	802,945	586,717

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:

	2019 *HK$'000*	2018 *HK$'000*
Interest on amount due to a related company	**10,642**	—
Interest on bank loans, overdrafts and other loans	**28,414**	13,452
Interest on convertible bond	**16,183**	3,182
Interest on finance leases	**362**	504
Interest on bond	**1,805**	—
Interest on other payables	**4,969**	—
	62,375	17,138

6. LOSS BEFORE TAX

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

	2019 *HK$'000*	2018 *HK$'000*
Cost of inventories sold	**63,915**	118,889
Cost of construction works	**662,288**	798,029
Cost of engineering, procurement and construction services rendered	**18,922**	16,497
Cost of kitchen waste treatment services rendered	**40,380**	5,465
Cost of industrial fluids system	**30,354**	—
Auditor's remuneration	**2,500**	3,100
Depreciation	**43,161**	32,815
Amortisation of operating concessions	**12,939**	1,317
Amortisation of other intangible assets	**11,001**	4,538
Minimum lease payments under operating leases	**7,848**	30,477
Employee benefit expense (excluding directors' remuneration):		
Wages, salaries, bonuses, allowances and benefits in kind	**114,846**	97,989
Equity-settled share option expense	**6,905**	—
Pension scheme contributions (defined contribution schemes)	**7,568**	6,345
	129,319	104,334
Foreign exchange differences, net	**10,527**	9,562
Impairment of goodwill	**—**	114,776
Impairment of an intangible asset	**—**	24,356
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

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**—**	1,303
Overprovision in prior years	**(1,831)**	(68)
Current — PRC		
Charge for the year	**—**	84
Overprovision in prior years	**(234)**	(2,970)
Current — Overseas		
Charge for the year	**956**	—
Deferred	**(14,766)**	(21,308)
Total tax credit for the year	**(15,875)**	(22,959)

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$92,663,000 (2018: HK$224,790,000), and the weighted average number of ordinary shares of 565,661,770 (2018: 515,464,066) in issue during the year.

Diluted loss per share for the year ended 31 March 2019 and 2018 is the same as the basic loss per share as the impact of the outstanding share options and convertible notes of the Company, where applicable, had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2019 and 2018.

9. TRADE AND RETENTION RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**196,722**	189,034
Impairment	**(16,798)**	(3,272)
	179,924	185,762
Retention receivables	**70,780**	58,530
Impairment	**(913)**	—
	249,791	244,292
Portion classified as current assets	**(215,801)**	(244,292)
Non-current portion	**33,990**	—

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.

Ageing analysis of 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:

	2019 *HK$'000*	2018 *HK$'000*
Within 30 days	**83,625**	70,149
31 to 60 days	**67,237**	58,066
61 to 90 days	**4,067**	9,157
Over 90 days	**24,995**	48,390
	179,924	185,762

10. TRADE AND RETENTION PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**171,503**	214,363
Retention payables	**51,076**	44,149
	222,579	258,512
Classified as current liabilities	**(201,602)**	(258,512)
Non-current portion	**20,977**	—

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 with 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**54,023**	61,610
1 to 2 months	**56,612**	23,698
2 to 3 months	**13,317**	39,500
Over 3 months	**47,551**	89,555
	171,503	214,363

11. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
572,900,134 (2018: 530,262,992) ordinary shares of HK$0.1 each	**57,290**	53,026

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 2017		498,982,992	49,898
Issue of shares	(a)	10,164,000	1,016
Share options exercised		21,116,000	2,112
At 31 March 2018 and at 1 April 2018		530,262,992	53,026
Issue of shares as part of the consideration for a business combination	(b)	42,137,142	4,214
Share options exercised		500,000	50
At 31 March 2019		572,900,134	57,290

(a) 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.

(b) On 31 May 2018, 42,137,142 ordinary shares of HK$0.1 each were allotted and issued to the vendors as part of the consideration for the acquisition of 100% equity interest in Vimab.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) provision of foundation works, civil engineering contractual service and general building works (the "**Construction Business**"); (ii) sales of construction materials (the "**Construction-related Business**"); (iii) environmental protection projects including kitchen waste treatment, industrial water treatment and strategic investments in environmental protection related projects (the "**Environmental Protection Business**"); and (iv) industrial fluids system services (the "**Industrial Fluids 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$706.4 million, maintaining its level as in FY2018 (i.e. HK$703.7 million). This segment remained the largest revenue stream of the Group, representing approximately 69.1% of the Group's total revenue for the Year, as compared to approximately 75.8% in FY2018.

Revenue from this segment is generated from both public and private sector projects with approximately 91% of the segment revenue contributed by the foundation projects in private sectors. Out of the total segment revenue of HK$706.4 million, the key contributors were (i) a foundation project in Kai Tak contributing approximately HK$127.7 million during the Year; and (ii) a foundation project in Tseung Kwan O contributing approximately HK$83.5 million during the Year.

The overall gross profit margin of the construction business increased to approximately 10.4% (FY2018: gross loss margin 7.7%). The significant improvement was attributable to the increase in projects with higher profit margin as compared with FY2018, and fewer unexpected increase in project costs due to delay in work progress.

The Group has completed a total of 11 projects in FY2019 (FY2018: 11 projects) and secured 9 new projects (2018: 13 new projects) during the Year with aggregated contract value of approximately HK$547.5 million similar to FY2018 (FY2018: approximately HK$548.8 million). All new projects secured during the Year had commenced construction, and 1 out of 9 new projects was completed during the Year. As at 31 March 2019, 12 projects were in progress (FY2018: 14 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	Pok Fu Lam Project	No. 138 Pok Fu Lam Road, Hong Kong	Foundation	Construction of Socketed Steel H-Pile, Soldier Pile, Pipe Pile, Geotechnical Instrumentation, Drainage, ELS and Pile Cap Works
2	Shek Kip Mei Project	HKHA Contract No: 20150611, Shek Kip Mei Phase 3, 6 & 7	Foundation	Construction of Mini-piles and associated works
3	Au Tau Project	Lot No. 1066 D.D.103 Au Tau, Yuen Long	Foundation	Construction of Driven H-piles
4	Tuen Mun Hospital Project	Extension of Operating Theatre Block for Tuen Mun Hospital	Foundation	Construction of Rock Socketed Steel H-Piling, Pipe Pile, King Post, Grout Curtain and Installation of Geotechnical Instrumentation
5	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-Piling
6	HKIA Project	Hong Kong International Airport Contract 3501 — Antenna Farm and Sewage Pumping Station	Foundation	Construction of Pipe Pile and Pumping Test

	Name of project	Location	Sector	Main category of work
7	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
8	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 H-pile, Pipe Pile, Sheet Pile, Geotechnical Instrumentation, ELS, Pile Cap and Tree Works
9	Choi Yuen Road Project	Construction of Public Rental Housing Development at Choi Yuen Road Sities 3&4, Sheung Shui (Contract No.20150364)	Foundation	Construction of Rock Socket Steel H-Piles
10	Kai Tak Residential Project*	N.K.I.L. 6562, Kai Tak, Kowloon	Foundation	Construction of Bored Pile
11	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

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	Happy Valley Project	17A & B Ventris Road, Happy Valley, Hong Kong	Foundation	Construction of Bored Piles, Pipe Pile, Geotechnical Instrumentation, ELS and Pile Cap Works
3	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
4	Lam Tin Tunnel Project	NE/2015/01 Tseung Kwan O — Lam Tin Tunnel Main Tunnel	Foundation	Construction of Mini-piles
5	Lamma Power Station Project*	Lamma Power Station	Foundation	Ground Treatment Works of Band Drain Installation and Imported General Fill for Compaction
6	TKO 85 Project*	Nos. 1–3, Shek Kok Road, Area 85, Tseung Kwun O, Hong Kong	Foundation	Construction of Bored Pile, Socket H-Pile, Sheet Pile, King Post, Hoarding and Tree Works
7	Ching Ho Estate Project*	Queen's Hill Site 1 Phases 2, 4 & 5 and Portion of Phase 6 and Alteration and Addition Works at Ching Ho Estate	Foundation	Construction of Socketed Steel H-Piling
8	Waterloo Road Project*	128 Waterloo Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, Sheet Pile, Pipe Pile, King Post, ELS & Pile Cap

	Name of project	Location	Sector	Main category of work
9	Yuen Long Project*	Y. L. Y. L. 532, Junction of Wang Yip Street West and Hong Yip Street, Tung Tau Industrial Area, Yuen Long	Foundation	ELS, Pile Cap & Decontamination Soil
10	Cheung Sha Wan Project*	Tonkin Street, Cheung Sha Wan	Foundation	Design & Construction of Driven H Pile Works
11	Choi Yuen Road Project*	Near Lai King Hill Road, Kwai Chung and Choi Yuen Road, Sheung Shui	Foundation	Construction of Socketed Steel H-Piling
12	Kai Tak (Site B) Project*	New Acute Hospital at Kai Tak Development Area (Site B)	Foundation	Construction of Bored Pile

* These projects were secured by the Company during the Year.

II Construction-related Business

The Construction-related Business involves sale of construction materials. During the Year, revenue from sale of construction materials to external customers amounted to approximately HK$58.4 million (FY2018: HK$111.1 million), representing a decrease of approximately 47.4% as compared to FY2018. The decrease was mainly attributable 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.

For the Year, the Group's revenue from the Environmental Protection Business decreased by approximately 11.3% to approximately HK$100.8 million (FY2018: approximately HK$113.7 million), which was mainly attributable to the decrease in the revenue from 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

During the Year, the Group disposed of the entire interest in Shenzhen Plant as further explained below.

As at 31 March 2019, the Group owned 5 kitchen waste plants.

Revenue generated from kitchen waste treatment business comprises (i) construction revenue from Build-Operate-Transfer ("**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, etc. produced during the process of kitchen waste treatment.

During the Year, revenue generated from kitchen waste treatment amounted to HK$90.1 million (FY2018: HK$97.7 million), which was mainly attributable to decrease in the construction revenue of Taiyuan Plant and Hefei Plant.

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 wholly-owned by the Group and operated under BOT model. The construction of the plant is in two phases with a total permitted capacity of 500 tons per day. In April 2017, phase one of Taiyuan Plant with permitted capacity of 200 tons per day has commenced trial commercial operation. As at 31 March 2019, utilised capacity of Taiyuan Plant was about 280 tons per day. As at the date of this announcement, production facilities for phase two of Taiyuan plant with an addition capacity of 300 tons per days have been substantially installed. However, the operation performance of phase two is subject to final quality review by the government of Taiyuan.

(ii) Hefei Plant

Hefei Plant is 60%-owned by the Group and has commenced formal commercial operation in March 2018. It is operated under the BOT model with a permitted capacity of 200 tons per day.

During the Year, Hefei Plant was undergoing a technology improvement, and its utilised capacity was therefore reduced to 100 tons per day as of 31 March 2019.

Pursuant to the Hefei Plant acquisition agreement and capital injection agreement, the vendor and creditor under such agreements, who are now the non-controlling of shareholders of Hefei Plant, guaranteed Hefei Plant's revenue from the sale of organic fertilizers shall be no less than (i) RMB6,205,000 (equivalent to approximately HK$7,263,000) and RMB12,410,000 (equivalent to approximately HK$14,527,000) for the first two years, respectively, upon commencement of commercial operations of the Hefei Plant; and (ii) RMB17,063,800 (equivalent to approximately HK$19,974,000) per year thereafter until expiration of the concession right to operate Hefei Plant 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 non-controlling shareholders shall make up the difference with the dividends they are entitled to receive from Hefei Plant.

Hefei Plant commenced commercial operations in March 2018, but it is still not in a normal capacity given the technology improvement has still bean on-going. As such, the Group and the non-controlling shareholders are in negotiation on when the Guaranteed Revenue takes place.

Announcement(s) will be made by the Company on the status of the Guaranteed Revenue as and when appropriate.

(iii) Loudi Plant

During the Year, Loudi Plant was under construction which is carried out by Loudi Fangsheng Environmental Technology Co. Ltd* (婁底市方盛環保科技有限公司), an indirect 80%-owned subsidiary of the Company.

Loudi Plant has a permitted capacity of 120 tons per day under the BOT model. The construction of Loudi Plant is expected to be completed in the third quarter of 2019.

(iv) 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**"), a company established by the Hanzhong municipality government. Hanzhong JV was set up for the purpose of constructing a kitchen waste plant in Hanzhong with a total capacity of 300 tons per day, of which phase-one has a capacity of 150 tons per day (i.e. Hanzhong Plant). During the Year, construction of Hanzhong Plant is pending completion of the pre-feasibility and market studies by the relevant government authorities.

The Group owns 92% interest in Hanzhong Plant and its operation model is yet to be determined.

(v) Hancheng Plant

During the Year, the Group acquired the entire equity interest in Hancheng Jiemu Environmental Technology Co. Ltd* (韓城潔姆環保科技有限責任公司) ("**Hancheng Plant**") at a consideration of RMB3,323,000 (equivalent to approximately HK$4,113,000). The consideration will be satisfied by assumption of outstanding debts of RMB3,000,000 and offsetting the payable owned to the Group. Hancheng Plant is wholly-owned by the Group. The acquisition is accounted for purchase of assets.

In May 2018, Hancheng Plant was granted an exclusive concession right (BOT model) by Hancheng Federation of Supply and Marketing Cooperatives* (韓城市供銷合作聯合社) to operate a kitchen waste plant with capacity of 20,000 tons per annum for a term of 30 years.

During construction, certain design deficiencies were found in respect of the waste-water system of Hancheng Plant which have not been clearly illustrated in the environmental assessment report. Such deficiencies may result in the malfunction of Hancheng Plant's operation as well as imposition of penalty for output of polluted water.

The Group has put forward to the Hancheng Federation of Supply and Marketing Cooperatives for the modification of the Hancheng Plant design, but has yet to reached any agreement with it. The construction of Hancheng Plant has been pending during the Year until the above matter is resolved.

(vi) Shenzhen Plant

In March 2017, the Group entered into an agreement to acquire 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 Plant**") for a consideration of RMB15.5 million 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

Shenzhen Plant has a permitted capacity of 100 tons per day under a Build-Operate-Own model. As the physical environment of the temporary site where Shenzhen Plant is situated had certain constraints for installing a fully-integrated processing line in Shenzhen Plant, the fully-integrated processing line was not installed and the unique technical know-how of the Group in kitchen waste treatment was not applied.

In this circumstance, the throughput of operation is not efficient and the output is not at its optimal level. During the Year, the Shenzhen authorities were yet to confirm with Shenzhen Xinbao where the permanent site for Shenzhen Plant should be located.

In consideration of the above dilemma faced by the Group and Shenzhen Plant, the Group acquired the remaining 15% equity interest in Shenzhen Plant for a revised consideration of RMB800,000 on 3 January 2019, and thereafter entered into a disposal agreement with an independent third party which is also a kitchen waste operator at the adjacent region of Shenzhen Plant to dispose of the entire equity interest in Shenzhen Plant for a consideration of RMB9,500,000, inclusive of the settlement of the Group's outstanding balance of RMB2,000,000. Such disposal was completed on 31 March 2019.

2. Provision of Environmental Improvement Solutions

During the Year, Clear Industry Company Limited ("**Clear Industry**" together with its subsidiary (the "**Clear EPC Group**"), a 51%-owned subsidiary of the Company, contributed revenue of approximately RMB7.0 million (equivalent to approximately HK$8.2 million) to the Group, as compared to approximately RMB9.4 million (equivalent to approximately HK$11.1 million) in FY2018. The decrease was mainly attributable to the decreased number of on-going EPC projects during the Year.

Certain performance commitments and profit guarantee (collectively, "**Suzhou Commitments**") were given by Qingqin International Group Limited ("**Qingqin**") in favor of the Group under the acquisition agreement dated 2 November 2016 in relation to the Group's acquisition of 51% equity interest in Clear Industry from Qingqin ("**Clear Industry Acquisition**"), including a three-year profit guarantee for the Clear EPC Group and recovery of the account receivables incurred during the three-year profit guarantee period.

Based on the unaudited management accounts of the Clear EPC Group (excluding the profit attributable to the business contracted by the other members of the Group to the Clear EPC Group), it is expected that the Suzhou Commitments could not be fulfilled and Qingqin together with its guarantor under the Clear Industry Acquisition should, subject to the compensation amount is ascertained after the special audit on the Suzhou Commitments pursuant to the acquisition agreement, compensate the entire consideration of approximately RMB87,975,000 (approximately to HK$100,990,000) to the Group. With reference to the latest information available, the fair value of the contingent consideration asset is approximately HK$37.2 million (approximately RMB32.1 million), being the aggregate market value of the consideration Shares issued by the Company and certain outstanding payable to Qingqin.

The special audit for the Suzhou Commitments, as stipulated in the Clear Industry acquisition agreement, has not yet commenced as at the date of this announcement.

The Company is currently under negotiation with Qingqin and its guarantor on the recovery of the compensation of the Suzhou Commitments.

Announcement(s) will be made by the Company on the development on the above matters as and when appropriate.

3. Industrial water treatment

(i) Memsys Assets

In May 2018, the Group entered into an agreement (the "**Transfer Agreement**") to transfer all the rights and ownership of the Memsys Assets which comprise the technology, intellectual rights, equipment, and inventories owned by the Group to Cevital International (Dubai) Ltd (the "**Memsys Purchaser**") for a consideration of EUR3.5 million (equivalent to approximately HK$32,045,000) (the "**Transfer**"), resulting in a gain on disposal of approximately EUR1.5 million (equivalent to approximately HK$13,820,000). As part and parcel of the Transfer Agreement, the Group also entered into a cooperation agreement with the Memsys Purchaser to set up a joint veuture company ("**Memsys JV**") which is owned 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 Memsys JV also intends to engage with Beijing China Science Resources & Environmental Technology Co., Ltd* (北京中科瑞升資源環境有限公司) on a business collaboration to develop the PRC market for the Memsys Assets. 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. Capital injection of HK$11.7 million to the Memsys JV has not been contributed and the Memsys JV has not commenced business as at the date of this announcement.

(ii) Beijing TDR Environ-Tech Co., Ltd (北京天地人環保科技有限公司) ("**TDR**")*

During the Year, the Group has engaged further negotiation with the current TDR owners with a view to review 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 current TDR owners agreed in principle to allow the Group to take a participation in the equity in TDR at the consideration calculated on the basis of not more than RMB800 million (equivalent to approximately HK$932.63 million) for 100% of TDR. In such case, the Group may acquire a maximum of 3.25% at a consideration of RMB26.0 million (equivalent to approximately HK$30.31 million), which will be satisfied by the TDR deposit paid by the Group to the previous TDR owner pursuant to a framework agreement entered into between the previous TDR owner and the Group in April 2017.

4. Strategic investments

(i) Hydropower projects in Indonesia

Reference is made to the section headed "Management Discussion and Analysis — 4. Strategic Investment — (i) Hydropower Projects in Indonesia" in the 2018 annual report of the Company, wherein it has set out the detailed chronology in relation to the Group's acquisition of 49% equity interest in PT. Dempo Sumber Energi ("**DSE**") from Xu Peng ("**Xu**") in March 2016 ("**DSE Acquisition**") and acquisition of 80% equity interest in PT Sumatera Pembangkit Mandiri ("**SPM**") from Xu and Muhamad Yamin Kahar ("**Yamin**", together with Xu, the "**Dominating Indonesian Parties**") in August 2016 ("**SPM Acquisition**") through its wholly-owned subsidiary, Stand Ascent Limited ("**Stand Ascent**"), together with the subsequent alterations to such acquisitions.

As disclosed in the Company's 2018 annual report, despite the 49% equity interest was transferred to the Stand Ascent, parties to the DSE Acquisition entered into a deed of termination and indemnification (the "**DSE Termination Deed**") to terminate the DSE Acquisition as the conditions precedent under the acquisition agreement could not be fulfilled before the long stop date. Pursuant to the DSE Termination Deed, the parties agreed, among others, 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**").

On the other hand, the SPM Acquisition did not proceed to completion after 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 advanced a total of US$425,000 to SPM (equivalent to approximately HK$3.3 million) (together, the "**SPM Receivables**") since, among others, SPM had not entered into a power purchase agreement ("**SPM-PPA**") with PT Perusahaan Listrik Negara (Persero) ("**PLN**"), a stated-owned energy company in Indonesia, as stipulated in the acquisition agreement of SPM.

Subsequently on 29 June 2018, the Company and Fujian Jiahe Energy Company Limited* (福建佳和能源有限公司) ("**Fujian Jiahe**") and certain guarantors entered into a disposal agreement (the "**Disposal Agreement**"), pursuant to which Fujian Jiahe agreed to purchase 100% equity interest in Stand Ascent at the consideration range from approximately US$5.32 million to approximately US$7.73 million, comprising (i) the value of 49% equity interest in DSE Company of US$2.205 million and; (ii) the value of 85% equity interest in SPM Company of US$3.12 million to US$5.53 million, which shall be determined by the electricity unit price to be offered by PLN to SPM under the SPM-PPA (the "**Stand Ascent Disposal**").

DSE Receivables and SPM Receivables

As at 31 March 2019 and 31 March 2018, the Company impaired the DSE Receivables of approximately US$1.63 million (equivalent to approximately HK$12.8 million), which represented a full impairment after taking into account the repayment from the dominating Indonesian parties to the project during the Year and an impairment in the SPM Receivables of approximately US$0.4 million (equivalent to approximately HK$3.1 million). During the Year, the Group further provided deposits and loans of US$0.25 million (equivalent to HK$1.96 million) to SPM for its working capital.

In March 2019, SPM was granted as a qualified applicant for the hydropower plant shortlist company but the SPM-PPA has not yet been signed.

As at 31 March 2019, the conditions precedent to the completion of the Disposal Agreement which include but not limited to the signing of the SPM-PPA, the approval of the final feasibility study by PLN, and other relevant permits and approvals to be obtained from the relevant government authorities were not yet fulfilled. The completion of the Stand Ascent Disposal has not taken place as at 31 March 2019.

(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) and Tsing Capital (HK) Limited (being the management company). 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.

As the fund under the partnership has not been launched, the parties to the LP Agreement entered into a withdrawal deed on 24 January 2019, pursuant to which the Group has withdrawn 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.

IV Industrial Fluids Systems Service

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 the 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 on-site industrial fluids service including valve services and maintenance, tank cleaning and other equipment services.

Pursuant to the Vimab Agreement, the consideration for the Vimab Acquisition should 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**") of the Company at the issue price of HK$3.5 per Share. 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.

As stipulated in the Vimab Agreement, if the audited EBITDA under International Financial Reporting Standards of Vimab Group for the year ended 31 December 2018 ("**2018 EBITDA**") increases by not less than 10% as compared with the audited 2017 EBITDA, 50% of the lock-up Shares will be unlocked and released on the 15th Business Day after the issue of such audited financial statements of the Vimab Group; (b) if the 2018 EBITDA divided by the 110% of the 2017 EBITDA falls on a range from 85.1% to 100%, it is calculated as, on a pro rata basis, (2018 EBITDA/(2017 EBITDA x 110%) — 85.1%)/(100% — 85.1%) of 50% of the lock-up Shares shall be unlocked and released, and PHM and FI shall, within ten (10) Business Days from the date when the 2018 EBITDA is finalised, return to the FBD the remaining lock-up Shares (or an amount equivalent to the value at the issue price of such remaining lock-up Shares) in the following priority: (1) by cash in an amount equivalent to the issue price of such remaining lock-up Shares; (2) if (1) is not available and subject to the compliance of the relevant rules and requirement by the Company, by returning such remaining lock-up Shares to the Company for revocation and cancellation; or (c) if both (a) and (b) are not applicable, by returning cash in an amount equivalent to the issue price of such remaining lock-up Shares or such remaining lock-up Shares to the Company for revocation and cancellation.

Audited 2018 EBITDA is yet to be available as at the date of this announcement and the Company will make further announcement for such update.

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 subscriber 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.

Such Settlement Deed was expired in June 2019 and the relevant parties are in negotiation for settlement arrangement as at the date of this announcement.

Business update after the reporting period

There has been no significant event after the reporting period.

Outlook

For the construction business, taking into the account the land policy of the Hong Kong Government in increasing land supply for housing developments for both private and public sectors, the Group expects a steady growth of Hong Kong's construction industry in the long run. In view of this, the management remains prudently optimistic about prospects of the construction market.

Although the environmental protection industry has experienced two-digit annual growth in the past decades. However, due to the deleverage of the micro-economy in 2018, most of the companies in the industry have to face with tighter credit-control and increasing of financing cost and squeezed margins. Such less favourable macro-environment makes the Group to further focus on the quality in the future projects and business opportunities. The Group will continue and aim to increase the operation efficiency of current projects such as Taiyuan and Hefei plants by, among others, increasing the capacity utilization ratio and the output of the by-products such as the biogas and bio-fertilizer. Secondly, the Group will further accelerate the Group's effort on the construction for Loudi Plant and change in design plan for Hancheng Plant.

For the newly acquired industrial fluids systems service business, Vimab, it looking business partner in China to bring their intensive expertise in the valve services to China and create synergy values.

FINANCIAL REVIEW

Results of the Group

During the Year, revenue of the Group increased by approximately 10.0% to approximately HK$1,021.7 million (2018: HK$928.5 million), in which it was resulted from the acquisition of Vimab. 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$92.7 million (2018: HK$224.8 million).

Basic loss per share was HK16.38 cents (2018: HK43.61 cent).

Other income and gains, net

Other income and gains, net, decreased from approximately HK$78.1 million for the year ended 31 March 2018 to approximately HK$44.2 million for the Year. In previous year, the amount mainly represented the recognition of derivative financial instrument in respect of contingent consideration asset arising from the Suzhou Commitments, while it was resulted from the aggregate gain on disposal of Shenzhen Plant and Memsys of HK$21.1 million for the Year.

Administrative expenses

Administrative expenses of the Group increased by approximately 89.2% from approximately HK$145.5 million to approximately HK$275.3 million. The increase in administrative expenses were attributable to the increase in arising from expenses for the Industrial Fluids Business along the acquisition of Vimab Group in May 2018. In addition, the Group also incurred share options expense of HK$9.6 million.

Finance costs

Finance costs of the Group increased from approximately HK$17.1 million to HK$62.4 million for the Year, primarily due to an increase in overall borrowings of the Group.

Other expenses

Other expenses decreased from HK$173.4 million to HK$19.7 million. In previous year, the amount 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 Shenzhen Plant; 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.

In the Year, the amount mainly represented the net change in fair value of: (i) loss of contingent receivable in respect of Suzhou Commitments of approximately HK$20.3 million; (ii) loss of contingent consideration asset in respect of fulfilment of certain financial benchmarks in Vimab Acquisition as set out in section headed "IV Industrial Fluids System Services" of approximately HK$5.0 million and (iii) gain on fair value of approximately HK$15 million in convertible bond. In addition, the Group also is incurred an one-off expense for legal and professional fee of approximately HK$9.3 million for the resumption of trading.

Liquidity and Financial Resources

As at 31 March 2019, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$38.7 million (as at 31 March 2018: approximately HK$66.7 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 2019 was approximately HK$399.2 million (as at 31 March 2018: approximately HK$294.4 million), and current ratio for the Year was approximately 1.13 (as at 31 March 2018: approximately 1.26).

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

As the trading of the Shares 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 Environmental Engineering Co., Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 8473) with limited liability ("**Forest Water**"), the Company has been negotiating with Forest Water for settlement arrangement about the repayment for outstanding principal and interests. As at 31 March 2019, the principal and accrued interest outstanding under such convertible bonds is approximately US$5.6 million HK$45.8 million.

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

Gearing ratio

The gearing ratio as at 31 March 2019 was approximately 95.42% (as at 31 March 2018: approximately 72.5%).

The increase in gearing ratio was mainly attributable to the increase in overall Group's borrowings 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 2019, the Group pledged certain assets including (i) bank deposits of approximately HK$nil (31 March 2018: approximately HK$5,000,000), and (ii) property, plant and equipment with carrying values of approximately HK$20,261,000 (31 March 2018: approximately HK$25,884,000), 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 SEK and may expose the Group to the fluctuation of Hong Kong dollars against RMB and SEK. 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

Save for the allotment and issue of 42,137,142 new Shares in relation to Vimab Acquisition as disclosed above, there had been no other significant changes in capital structure of the Company during the Year.

Capital commitments

As at 31 March 2019, the Group had capital commitment of approximately HK$48,642,000 (as at 31 March 2018: approximately HK$26,635,000) in relation to the projects of the Group under the ordinary course of business.

Human resources management

As at 31 March 2019, the Group had 682 employees, including Directors (as at 31 March 2018: 440 employees, including Directors). Total staff costs (including Directors' emoluments) were approximately HK$137,803,000 for the Year as compared to approximately HK$108,912,000 for FY2018. 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 2019, the Group held approximately 10.33% of the total issued share capital of Josab Water Solutions AB, the shares of which are listed on Spotlight Stock Market, 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 2019, the Group had outstanding performance bond for construction contracts amounting to approximately HK$76.0 million (as at 31 March 2018: approximately HK$58.4 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.

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.

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 appointment of BDO Limited 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 FY2019:

"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 2019, 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 2019, 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 the consolidated financial statements, during the period from January 2016 to November 2016, the Group paid deposits for the potential acquisition of a 49% equity interests in PT. Dempo Sumber Energi ("**DSE** ") ("**DSE Agreement**") and a 80% equity interests in PT. Sumatera Pembangkit Mandiri ("**SPM**"). In addition, the Group paid certain expenses on behalf of DSE and advanced loans to DSE, SPM and their beneficial shareholders. During the year ended 31 March 2017, the shares of DSE and SPM (representing 49% and 80% of the equity interests in DSE and SPM respectively) were transferred to the Group, and the Group appointed 4 out of 6 directors of DSE and 5 out of 7 directors of SPM. Thereafter, the Group have entered into a series of transactions and agreements with various parties including the acquisition of additional 5% equity interests in SPM, the termination of the DSE Agreement, the disposal of the equity interests in DSE and SPM.

As at 31 March 2019, the aggregated amount of deposits paid, expenses paid on behalf and loans advanced ("**Payments**") of approximately HK$67,637,000 (2018: HK$66,306,000) was accounted for as receivables. During the year ended 31 March 2019, impairment provision of HK$ Nil (2018: HK$15,854,000) was made (or reversed) against the Payments and the impairment provision as at 31 March 2019 amounted to HK$15,854,000 (2018: HK$15,854,000). As at 31 March 2019, the carrying amount of the

Payments after netting off impairment provision was of HK$51,783,000 (2018: HK$50,452,000) and was grouped under prepayments, deposits and other receivables in the consolidated statement of financial position.

Directors of the Company have not provided us with satisfactory evidence relating to the nature of those transactions highlighted in the paragraphs above (the "**Transactions**") (further details are disclosed in note to the consolidated financial statements) and their conclusion that the Payments are receivables in nature throughout the years. As such, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the Transactions have been appropriately accounted for, including whether accounting for the Payments as receivables is appropriate and accordingly, whether impairment provision recognised against the Payments is appropriate and the amount of impairment provision recognised is properly determined or measured in accordance with HKFRSs. As a result, we were also unable to satisfy ourselves whether the disclosures in the notes to the consolidated financial statements are complete and accurate. There were no alternative audit procedures that we could perform to satisfy ourselves as to the above-mentioned matters. Consequently, we were unable to determine whether any adjustments to these amounts/disclosures were necessary.

The Company's predecessor auditor modified their audit opinion on the Company's consolidated financial statements for the year ended 31 March 2018 due to limitations on their scope of work on the nature of the Payments. They were unable to satisfy themselves as to (i) the appropriateness of the accounting for the Payments as receivables as at 31 March 2018; (ii) whether the impairment of HK$15,854,000 for the Payments recognised for the year ended 31 March 2018 was appropriate or adequate; and (iii) the completeness and accuracy of the respective disclosures in the notes to the consolidated financial statements. Any adjustments to the amount of impairment provision recognsed for the year ended and as at 31 March 2018 would have a consequential impact on the amount of impairment provision recognised for the year ended 31 March 2019, if any. Our opinion on the Company's 2019 consolidated financial statements for year ended 31 March 2019 is also modified because of the possible effect of the adjustment and the related 2018 figures in the consolidated financial statements may not be comparable.

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 management discuss and analysis in the 2018 annual report and section headed "Strategic investments — (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 and 31 March 2019 as receivables and the impairments made thereon as at 31 March 2018 and 31 March 2019 were appropriate on the bases that:

(i) the legal opinions obtained by the Management which 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 ("**Repayment Deed**") dated 6 July 2018 procured by the Dominating Indonesian Parties 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 and 31 March 2019 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 and 31 March 2019 (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 and 31 March 2019 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 power purchase agreements signed by the hydropower plants located in the vicinity of SPM's plant as extracted from a research report issued by a reputable accounting firm. It is also highly possible that the SPM-PPA will be signed as SPM has obtained the qualified applicant status for the hydropower plant shortlist company granted by the PLN.

3. Potential impact on the Company

Since the Auditor has been unable to obtain sufficient audit evidence to ascertain the nature of the transactions relating to DSE and SPM as at 31 March 2019 in the annual results of the Company for FY2019, and thus is unable to satisfy themselves as to (i) to obtain sufficient appropriate audit evidence whether the transactions have been appropriately accounted for, including whether accounting for the payments as receivables is appropriate; (ii) the impairment provision recognised against the payments are appropriate and the amount of impairment provision recognised is properly determined or measured in accordance with HKFRSs; and (iii) the disclosures in the notes to the consolidated financial statements are complete and accurate.

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

A meeting was held on 24 June 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 FY2019.

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 FY2019.

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 SPM has obtained the qualified applicant status for the hydropower plant shortlist company granted by the PLN in March 2019 as planned, it is expected the SPM-PPA will be entered into by the PLN and SPM and thus the completion of the Stand Ascent Disposal will likely to take place soon. 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 the Group 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 2020 save for the opening.

Final Dividend

The Board does not recommend payment of a final dividend to the shareholders for FY2019 (FY2018: 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 FY2019 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.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 16 August 2019. The notice of the AGM will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.primeworld-china.com and sent to the shareholders of the Company, together with the Company's annual report, in due course.

Closure of the Register of Members

The register of members of the Company will be closed from 13 August 2019 to 16 August 2019 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 August 2019.

Publication of Final Results Announcement and Annual Report

The Group's final results for the Year and this announcement have been reviewed by the audit committee of the Company, approved by the Board and agreed by the Company's external auditor, BDO Limited.

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.primeworld-china.com.

The annual report of the Company for the year ended 31 March 2019 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

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

Hong Kong, 24 June 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