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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS

Revenue decreased by approximately 12.14% to approximately HK\$344,909,000.

Gross profit decreased by approximately 22.57% to approximately HK\$27,332,000.

Profit attributable to owners of the Company from continuing operations amount to approximately HK\$7,360,000 as compared with loss attributable to owners of approximately HK\$8,596,000 for the corresponding period.

Profit for the period from continuing operations amount to approximately HK\$2,356,000 as compared with the loss of approximately HK\$15,013,000 for the corresponding period.

Basic earnings per share from continuing operations was HK1.18 cents as compared to loss per share of HK1.50 cents for the corresponding period.

The Board did not recommend an interim dividend for the six months ended 30 September 2020.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of New Concepts Holdings Limited (the “**Company**”) hereby announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”) together with the comparative figures for the six months ended 30 September 2019 (the “**corresponding period**” or “**1H2019**”).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	4	344,909	392,570
Cost of sales		<u>(317,577)</u>	<u>(357,272)</u>
Gross profit		27,332	35,298
Other income and gains, net	5	52,221	39,532
Expected credit loss on financial and contract assets		(1,335)	(19,270)
Administrative expenses		(46,432)	(58,355)
Other expenses	7	(16,736)	—
Finance costs	6	<u>(16,635)</u>	<u>(16,489)</u>
Loss before tax from continuing operations	7	(1,585)	(19,284)
Income tax	8	<u>3,941</u>	<u>4,271</u>
Profit/(loss) for the period from continuing operations		<u>2,356</u>	<u>(15,013)</u>
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	9	<u>—</u>	<u>3,120</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>2,356</u>	<u>(11,893)</u>

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owner of the Company:		
— from continuing operations	7,360	(8,596)
— from discontinued operation	<u>—</u>	<u>3,120</u>
Profit/(loss) for the period attributable to the owner of the Company	<u>7,360</u>	<u>(5,476)</u>
Loss for the period attributable to non-controlling interests		
— from continuing operations	<u>(5,004)</u>	<u>(6,417)</u>
	<u>2,356</u>	<u>(11,893)</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings/(losses) per share attributable to the owner of the Company:		
Basic		
— Earnings/(losses) for the period	1.18	(0.96)
— Earnings/(losses) for the period from continuing operations	1.18	(1.50)
Diluted		
— Earnings/(losses) for the period	1.18	(0.96)
— Earnings/(losses) for the period from continuing operations	<u>1.18</u>	<u>(1.50)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>2,356</u>	<u>(11,893)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>13,838</u>	<u>(34,594)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>16,194</u></u>	<u><u>(46,487)</u></u>
Attributable to:		
Owners of the Company	<u>15,734</u>	<u>(37,087)</u>
Non-controlling interests	<u>460</u>	<u>(9,400)</u>
	<u><u>16,194</u></u>	<u><u>(46,487)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		122,621	181,691
Goodwill		23,461	22,563
Operating concessions		186,560	260,472
Other intangible assets		—	51,785
Receivables under service concession arrangements		260,277	314,752
Retention receivables	12	16,891	19,733
Prepayments, deposits and other receivables	13	44,172	42,307
		<u>653,982</u>	<u>893,303</u>
Current assets			
Inventories		17,564	40,612
Contract assets		11,576	7,283
Trade and retention receivables	12	152,329	171,679
Receivables under service concession arrangements		72,401	32,112
Prepayments, deposits and other receivables	13	104,648	95,462
Loan receivables		350	2,908
Consideration receivables		—	17,607
Financial assets at fair value through profit or loss		—	10,804
Tax recoverable		—	513
Cash and cash equivalents		39,809	29,817
		<u>398,677</u>	<u>408,797</u>
Assets of a disposal group classified as held for sale	14	<u>54,273</u>	<u>—</u>
		<u>452,950</u>	<u>408,797</u>

		30 September 2020	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Current liabilities			
Contract liabilities		24,623	4,854
Lease liabilities		2,070	5,660
Trade and retention payables	15	135,021	166,990
Other payables and accruals	16	158,689	222,039
Due to directors		12,491	9,296
Interest-bearing bank and other borrowings		132,845	254,033
Bonds		25,500	25,500
Tax payable		7,352	7,877
		<u>498,591</u>	<u>696,249</u>
Liabilities of a disposal group classified as held for sale	14	<u>20,133</u>	<u>—</u>
		<u>518,724</u>	<u>696,249</u>
Net current liabilities		<u>(65,774)</u>	<u>(287,452)</u>
Total assets less current liabilities		<u>588,208</u>	<u>605,851</u>
Non-current liabilities			
Due to a related company		160,083	217,345
Lease liabilities		2,229	5,587
Interest-bearing bank and other borrowings		152,429	134,663
Retention payables	15	2,096	7,673
Other payables		34,639	13,998
Provision		48,844	45,712
Deferred tax liabilities		2,933	26,648
		<u>403,253</u>	<u>451,626</u>
NET ASSETS		<u>184,955</u>	<u>154,225</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		67,359	57,290
Reserves		85,065	53,014
		<u>152,424</u>	<u>110,304</u>
Non-controlling interests		32,531	43,921
TOTAL EQUITY		<u>184,955</u>	<u>154,225</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Group's subsidiaries are principally engaged in the businesses of construction works and environmental protection projects.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA and should be read in conjunction with the annual report of the Company for the year ended 31 March 2020.

The condensed consolidated results have not been audited but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 September 2020 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following new and revised HKFRSs, which are effective for the first time for annual periods beginning on or after 1 April 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16 Concession (early adopted)	COVID-19-Related Rent

The new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

4. REVENUE AND SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Construction work segment engages in the provision of foundation works, civil engineering works and general building works in Hong Kong;
- (b) Environmental protection segment engages in the construction and operation of kitchen waste treatment plants in the PRC and the engineering, procurement and construction of kitchen waste and water treatment business in the PRC (together with the construction work segment referred to as the “**continuing operations**”); and
- (c) Industrial fluids system services segment engages in the provision of industrial fluid system services in Nordic area (under Vimab Holding AB, “**Vimab**”) (the “**discontinued operation**”).

Vimab was indebted to a fund (the “**Fund**”) in the principal of SEK131,000,000 (approximately HK\$101,509,000) pursuant to a loan agreement (the “**Loan Agreement**”) entered into between Vimab (as borrower) and the Fund (as lender). Pursuant to the Loan Agreement, the indebtedness should have been repaid in full on 16 April 2021, and such indebtedness was secured (the “**Pledge**”) by all the issued shares of Vimab (the “**Pledged Shares**”). According to the Loan Agreement, the Fund has the right to call for immediate full repayment. The Fund enforced the Pledge and transferred all the Pledged Shares to a company designated by the Fund on or around 7 April 2020 without any instrument entered by the holding company of Vimab and the Company. As such, Vimab ceased to be the subsidiary subsequent to such enforcement of Pledged Shares, and was regarded as a discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Accordingly, the related financial information of the industrial fluids system services was not included in the operating segment information from the continuing operations and the comparative information was also reclassified to conform with the current period's presentation. Further details of the discontinued operation are set out in note 9.

Revenue from continuing operations representing the revenue derived from construction works and environmental protection projects are as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction works	291,534	348,649
Environmental protection	<u>53,375</u>	<u>43,921</u>
	<u>344,909</u>	<u>392,570</u>

(a) Segment information

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

For the six months ended 30 September 2020 (Unaudited)

	<u>Continuing operations</u>		<u>Sub-total</u>	<u>Discontinued</u>	<u>Consolidated</u>
	<u>Construction</u>	<u>Environmental</u>		<u>Industrial fluids</u>	
	<u>works</u>	<u>protection</u>	<u>HK\$'000</u>	<u>system services</u>	<u>HK\$'000</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
				<i>(Note 9)</i>	
For the six-months ended					
30 September 2020 (unaudited)					
Disaggregated by timing of					
revenue recognition:					
Point in time	—	44,703	44,703	—	44,703
Over time	291,534	—	291,534	—	291,534
Revenue from other sources	—	8,672	8,672	—	8,672
	<u>—</u>	<u>8,672</u>	<u>8,672</u>	<u>—</u>	<u>8,672</u>
Segment revenue:					
Sales to external customers	291,534	53,375	344,909	—	344,909
	<u>291,534</u>	<u>53,375</u>	<u>344,909</u>	<u>—</u>	<u>344,909</u>
Revenue					<u>344,909</u>
Segment results	43,502	(4,272)	39,230	—	39,230
Reconciliation:					
Bank interest income			13	—	13
Corporate and unallocated gain			3,580	—	3,580
Corporate and unallocated expenses			(27,773)	—	(27,773)
Finance costs			<u>(16,635)</u>	<u>—</u>	<u>(16,635)</u>
Loss before tax			<u>(1,585)</u>	<u>—</u>	<u>(1,585)</u>

For the six months ended 30 September 2019 (Unaudited)

	Continuing operations		Discontinued operation		Consolidated <i>HK\$'000</i>
	Construction works <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Industrial fluids system services <i>HK\$'000</i> <i>(Note 9)</i>	
For the six-months ended					
30 September 2019 (unaudited)					
Disaggregated by timing of revenue recognition:					
Point in time	—	35,448	35,448	109,982	145,430
Over time	348,649	—	348,649	—	348,649
Revenue from other sources	—	8,473	8,473	—	8,473
Segment revenue:					
Sales to external customers	348,649	43,921	392,570	109,982	502,552
Revenue					<u>502,552</u>
Segment results	23,430	8,543	31,973	525	32,498
Reconciliation:					
Bank interest income			494	—	494
Corporate and unallocated gain			437	7,980	8,417
Corporate and unallocated expenses			(35,699)	(1,186)	(36,885)
Finance costs			(16,489)	(6,002)	(22,491)
(Loss)/profit before tax			<u>(19,284)</u>	<u>1,317</u>	<u>(17,967)</u>

5. OTHER INCOME AND GAINS, NET

An analysis of other income from continuing operations is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	13	494
Machinery rental income	514	514
Gain on disposal of subsidiaries	44,288	—
Gain on disposal of equity interests in Stand Ascent Limited (note)	—	29,349
Financial guarantee service fee income	1,312	1,318
Government grants	4,833	3,616
Rental income	306	—
Fair value gain on contingent consideration asset	—	165
Others	955	4,076
	<u>52,221</u>	<u>39,532</u>

Note: The amount represented the gain arising from the disposal of entire interest in Stand Ascent Limited in relation to the proposed development of hydropower station in Indonesia.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— bank loans, overdrafts and other loan	9,904	7,641
— bonds	829	831
— lease liabilities	142	336
— other payables	2,340	3,481
— amount due to related companies	3,196	4,200
— amount due to a director	224	—
	<u>16,635</u>	<u>16,489</u>

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before tax from continuing operations stated after charging the following items:		
Operating lease expenses in respect of short-term leases	1,542	1,262
Depreciation of property, plant and equipment	14,604	15,217
Depreciation of right-of-use assets	1,204	2,666
	<u>17,350</u>	<u>29,145</u>
Staff costs (including directors' remuneration)		
— Salaries, wages and other benefits	45,514	46,937
— Mandatory provident fund contributions	2,615	2,040
	<u>48,129</u>	<u>48,977</u>
Other expenses		
Impairment recognised for assets classified as held for sale	16,416	—
Loss on discontinued operation	320	—
	<u>16,736</u>	<u>—</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises		
Hong Kong profits tax	1,336	12
Taxation in jurisdictions other than Hong Kong	147	—
	<u>1,483</u>	<u>12</u>
Deferred	(5,424)	(6,086)
Total	<u>(3,941)</u>	<u>(6,074)</u>
Total tax charge:		
— from continuing operations	3,941	4,271
— from discontinued operation	—	1,803
	<u>3,941</u>	<u>6,074</u>

9. DISCONTINUED OPERATION

The results of the Industrial Fluids Services for the six months ended 30 September 2020 (since 1 April 2020 up to enforcement of shares on or around 7 April 2020) and the corresponding period are presented below:

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	—	109,982
Cost of sales	—	(28,142)
Gross profit	—	81,840
Other income and gains, net	—	7,816
Administrative expenses	—	(82,337)
Finance costs	—	(6,002)
Profit before tax from discontinued operation	—	1,317
Income tax credit	—	1,803
Profit for the period from discontinued operation	—	3,120

The net assets under discontinued operation were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	45,160
Other intangible assets	51,785
Inventories	34,369
Trade and retention receivables	19,403
Prepayment, deposits and other receivables	6,068
Financial assets at fair value through profit or loss	10,804
Cash and cash equivalents	4,423
Trade and retention payables	(11,717)
Other payables and accruals	(25,822)
Lease liabilities	(4,940)
Tax payable	(1,031)
Interest-bearing bank and other borrowings	(113,260)
Deferred tax liabilities	(14,922)
	320
Loss on discontinued operation	(320)
Total consideration	—

10. EARNINGS/(LOSSES) PER SHARE

The calculation of the earnings/(losses) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 624,601,762 (for the six months ended 30 September 2019: 572,900,134) in issue during the period.

The calculation of the diluted earnings/(losses) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company. No adjustment has been made to the basic earnings/(losses) per share amount presented for the period ended 30 September 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(losses) per share amount presented.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
The calculations of basic and diluted earnings/(losses) per share are based on:		
Earnings/(losses)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(losses) per share calculation:		
— From continuing operations	7,360	(8,596)
— From discontinued operation	—	3,120
	<u>7,360</u>	<u>(5,476)</u>
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, used in the basic earnings/(losses) per share calculation		
	<u><u>624,601,762</u></u>	<u><u>572,900,134</u></u>

11. DIVIDEND

The Board did not recommend an interim dividend for the Period (for the six months ended 30 September 2019: nil).

12. TRADE AND RETENTION RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	139,672	167,177
Impairment	(22,256)	(25,136)
	117,416	142,041
Retention receivables	55,011	52,282
Impairment	(3,207)	(2,911)
	169,220	191,412
Portion classified as current assets	(152,329)	(171,679)
	16,891	19,733

Note:

Trade and retention receivables

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 works and are settled within a period ranging from one to two years after the completion of the work as stipulated in the construction contracts.

Retention receivables held by customers arising from the Group's sale of machineries business under environmental protection segment are settled within one year after the control of the asset transferred to the customer.

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 follow:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	52,931	61,168
31–60 days	17,751	30,012
61–90 days	29,587	8,940
Over 90 days	17,147	41,921
	<u>117,416</u>	<u>142,041</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Prepayments	24,119	36,507
Deposits and other receivables	132,222	108,790
Impairment	(7,521)	(7,528)
	<u>148,820</u>	<u>137,769</u>
Current portion included in prepayments, deposits and other receivables	<u>(104,648)</u>	<u>(95,462)</u>
Non-current portion	<u>44,172</u>	<u>42,307</u>

14. ASSETS/LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 8 September 2020, the Group entered into an agreement with the non-controlling interest of Loudi Fangsheng Environmental Technology Co. Ltd.* (婁底市方盛環保科技有限公司) (“**Loudi Plant**”) pursuant to which the Group agreed to acquire the remaining 20% equity interests in Loudi Plant at the consideration of RMB6,110,600 (approximately HK\$6,954,000).

Such acquisition of 20% equity interests was for the purpose to facilitate possible disposal of the entire interests in Loudi Plant. As such, Loudi Plant has been classified as a disposal group held for sale and presented separately in the consolidated statement of financial position as at 30 September 2020.

Subsequent to 30 September 2020, the Group completed the disposal of the entire interests in Loudi Plant at the consideration of RMB30,000,000 (approximately HK\$34,140,000). As the proceeds of such disposal are less the carrying amount of the related net assets, an impairment of approximately HK\$16,416,000 was recognised on the classification of these operations as held for sale. The major classes of assets and liabilities comprising the operations classified as held for sale, as at 30 September 2020, were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	263
Operating concessions	41,728
Receivables under service concession arrangements	23,580
Inventories	3
Prepayments, deposits and other receivables	5,085
Cash and cash equivalents	<u>30</u>
	70,689
Impairment recognised (<i>Note 7</i>)	<u>(16,416)</u>
Total assets classified as held for sale	<u>54,273</u>
Trade and retention payables	1,243
Other payables and accruals	7,487
Deferred income	6,032
Deferred tax liabilities	<u>5,371</u>
Total liabilities associated with assets classified as held for sale	<u>20,133</u>
Net assets of disposal group	<u><u>34,140</u></u>

15. TRADE AND RETENTION PAYABLES

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	101,416	138,397
Retention payables	<u>35,701</u>	<u>39,266</u>
	137,117	177,663
Classified as current liabilities	<u>(135,021)</u>	<u>(169,990)</u>
Non-current portion	<u><u>2,096</u></u>	<u><u>7,673</u></u>

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 works and are settled within a period ranging from one to two years after the completion of the work, as stipulated in the contracts.

Retention payables held by the Group arising from the construction of plant operated under BOT are settled with contractors within a period ranging from one to two years after the completion of the construction work.

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

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	30,885	37,444
31–60 days	19,077	27,038
61–90 days	11,785	15,361
Over 90 days	39,669	58,554
	101,416	138,397

16. OTHER PAYABLES AND ACCRUALS

Included in the amounts represented the principal and accrued interests of approximately US\$6.6 million (approximately HK\$51.4 million) (31 March 2020: US\$6.3 million (approximately HK\$49.0 million)) arising from the previous issue of convertible bonds with principal of US\$5 million to a subscriber in October 2017. Such amounts were classified as other payables upon the Company's shares suspension for trading for more than 30 business days during July 2018 to February 2019.

On 22 October 2020, the Company received a writ of summons filed by the subscriber for the claims of the outstanding principal and related interests. Such matter is yet to be finalised up to the date of this announcement and details of which are set out in the Company's announcement dated 22 October 2020.

17. DISPOSAL OF SUBSIDIARIES

- (i) On 28 May 2020, the Group entered into a settlement agreement, pursuant to which the parties to the settlement agreement agreed to resolve the dispute over the outstanding consideration payable by the Group of RMB7,987,500 and the compensation in relation to the profit guarantee of Clear Industry Company Limited (“**Clear Industry**”) and its subsidiaries (“**Clear Industry EPC Group**”) by, among others, the Group returning the shares of Clear Industry to the vendor, while the vendor paying the Group the cash refund of RMB36,000,000, and the cash proceeds from the consideration shares previously issued by the Company (“**Consideration Shares**”) to be disposed. Such transaction was accounted as disposal of subsidiaries and completed on 31 July 2020 and resulted in a gain of approximately HK\$41,613,000.

Details of which are set out in the Company’s announcements dated 28 May 2020 and 29 July 2020.

- (ii) On 10 August 2020, the Group also entered into an agreement with an independent third party pursuant to which the Group disposed of the entire issued share capital of New Expansion Global Limited (“**NEGL**”). NEGL, through its subsidiary, is principally engaged in the business of civil engineering works and building works. Such disposal resulted in a gain of approximately HK\$2,675,000.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

At the beginning of the Period, the Group was principally engaged in (i) provision of foundation works, civil engineering contractual service and general building works in Hong Kong (the “**Construction Business**”); (ii) environmental protection projects including kitchen waste treatment and industrial water treatment (the “**Environmental Protection Business**”) and (iii) the industrial fluids system services (the “**Industrial Fluids Business**”). During the Period, the Industrial Fluids Business ceased to be the Group’s business segment along to the Group’s creditor’s enforcement of its pledged shares in Vimab Holding AB in early April 2020.

Business Review

I Construction Business

For the Period, the Group recorded a revenue from construction business amounted to approximately HK\$291.5 million, representing a decrease of 16.4% compared to that for 1H2019 (i.e. HK\$348.7 million). Such decrease was mainly due to the decrease of the number of sizable projects undertaken by the Group during the Period.

During the Period, the Group disposed of its civil engineering works and building works within the construction business to an independent third party at a consideration of HK\$24,000,000. The revenue from such disposed section was approximately HK\$14,151,000 (from 1 April 2020 up to disposal) (for 1H2019: HK\$10,274,000). Details of which are set out in the Company’s announcement dated 7 August 2020.

If the disposed operation of civil engineering works and building works was excluded, the overall gross profit margin of remaining construction business (i.e. foundation works) increased from approximately 10.7% for 1H2019 to 18.3% for the Period. The significant improvement was attributable to the increase in projects with higher profit margin as compared with that in 1H2019, and no unexpected increase in project costs due to delay in work progress.

(i) *Completed project*

As at 30 September 2020, the Group completed 4 projects. The details of such completed projects are as follows:

	Name of project	Location	Sector	Main category of work
1	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
2	Yuen Long project	Y. L. T. L. 532, Junction of Wang Yip Street West and Hong Yip Street, Tung Tau Industrial Area, Yuen Long	Foundation	ELS, Pile Cap & Decontamination Soil
3	Water treatment project	Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan	Foundation	Construction of Mini-Piling Works
4	Hung To Road project	32 Hung To Road, Kwun Tong, Kowloon	Foundation	Construction of Bored Pile

(ii) *Projects in Progress*

As at 30 September 2020, the Group had 7 projects in progress with an aggregate contract value of approximately HK\$595.5 million. The management considered that all of the projects in progress were on schedule and none of which would cause the Group to indemnify the third parties and increase the contingent liabilities. The details of such projects in progress are as follows:

	Name of project	Location	Sector	Main category of work
1	Kai Tak (Site B) project	New Acute Hospital and Kai Tak Development Area (Site B)	Foundation	Construction of Bored Pile
2	West Kowloon Palace Museum project	West Kowloon Cultural District, West Kowloon, Tsim Sha Tsui	Foundation	Mini-piles and Grout Curtain Works
3	HKBU project	Hong Kong Baptist University, 30 Renfrew Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, ELS and Pile Cap Works
4	Kwun Tong project	Kwun Tong Preliminary Treatment Works, 1 Wing Yip Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles
5	Kwai Chung, Lam Tin Street project	Nos 2-16 Lam Tin Street, Kwai Chung, HK	Foundation	Construction of Foundation, ELS and Pile Cap Works
6	Tuen Mun Hin Fat Lane and North Point Java Road Project	Hin Fat Lane, Tuen Mun and Java Road, North Point	Foundation	Construction of Foundation, ELS and Pile Cap Works
7	Tung Chung Area 100 Project*	Tung Chung Area 100	Foundation	Construction of Bored Pile

* Project newly secured by the Group during the Period.

II 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; and
- (iii) industrial water treatment.

For the Period, the Group's revenue from the Environmental Protection Business increased by approximately 21.6% to approximately HK\$53.4 million (1H2019: HK\$43.9 million). Discussion and analysis on the business performances of kitchen waste treatment and industrial water treatment businesses are set out below.

(i) Kitchen waste treatment

Revenue generated from the 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 sales of by-products including but not limited to organic fertilisers, grease, biogas, etc. produced during the process of the kitchen waste treatment. During the Period, revenue generated from kitchen waste treatment amounted to HK\$33.1 million (1H2019: HK\$36.8 million). Such decrease was mainly caused by certain quarantine arrangement under the outbreak of COVID-19 which lowered the collection and processing of kitchen waste.

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

1 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. Phase one facility of 200 tons per days was fully utilised where production facilities for phase two of Taiyuan plant with an addition capacity of 300 tons per days have been substantially installed, but the operation performance of phase two is subject to final quality review by the government of Taiyuan.

As at 30 September 2019, capacity of Taiyuan Plant was about 285 tons per day. In the beginning of 2020, COVID-19 outbreak and thus led to certain quarantine arrangements including, among others, city lockdown, shut-down of restaurants and schools, etc., and the volume of kitchen waste treatment therefore dropped to average of 48 tons per day in March 2020. As at 30 September 2020 and the date prior to this announcement, capacity of Taiyuan Plant was about 251 tons per day and 277 tons per day, respectively.

In addition, due to the postpone of the Municipal People's Congress which affected the local government's fiscal budgeting process, collection of kitchen waste treatment fee was not resumed until late-June 2020.

2 Hefei Plant

Hefei Plant is 60%-owned by the Group and is operated under the BOT model with a permitted capacity of 200 tons per day. In prior period, Hefei Plant had been undergoing a technology improvement and its capacity was therefore reduced to 100 tons per day and 71 tons per days as of 31 March 2019 and 30 September 2019, respectively.

Due to COVID-19, its capacity further dropped to an average of 34 ton per day in March 2020. In or around August 2020, phase 1 of technology improvement was in place for trial operations. As at 30 September 2020 and the date prior to this announcement, capacity of Hefei Plant resumed to about 201 tons per day and 207 tons per day, respectively.

Pursuant to the Hefei Plant acquisition agreement and capital injection agreement (as supplemented by a supplemental agreement dated 16 August 2019), the vendor and creditor under such agreements, who are now the non-controlling shareholders of the Hefei Plant, guaranteed Hefei Plant's revenue from the sale of organic fertilizers shall be no less than (i) RMB5,950,000 (equivalent to approximately HK\$6,774,000) and RMB12,410,000 (equivalent to approximately HK\$14,128,000) for the first two years, respectively upon the following conditions are fulfilled: (i) the normal production capacity of Hefei Feifan reaches 200 tons/day, and (ii) the quality of the underwritten production output meets with the national requirements set for the relevant organic fertilizers.; and (ii) RMB17,063,800 (equivalent to approximately HK\$19,426,000) 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.

As Hefei Plant is still not in a normal capacity given the technology improvement has still been on-going. As such, the Guaranteed Revenue was yet to take place.

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

3 Loudi Plant

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). Loudi Plant was an indirect 80%-owned subsidiary of the Company and the Group further acquired its 20% equity interests during the Period at a consideration of RMB6,110,600 (approximately HK\$6,954,000) with an aim to facilitate the proposed disposal of entire Loudi Plant so as to strengthen the Group's financial position and liquidity, details of which are set out in the Company's announcement dated 8 September 2020.

Such acquisition of 20% equity interests was for the purpose to facilitate possible disposal of the entire interests in Loudi Plant. Subsequent to 30 September 2020, the Group disposed of its entire interests in Loudi Plant as detailed in the announcement of the Company dated 5 October 2020. As such, Loudi Plant has been classified as a disposal group held for sale and presented separately in the statement of financial position as at 30 September 2020. As the proceeds of such disposal are less the carrying amount of the related net assets, an impairment of approximately HK\$16,416,000 was recognised.

Further information on the disposal of Loudi Plant is set out in the section headed "Events after the reporting period" below.

4 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 Period, construction of Hanzhong Plant is pending completion of the pre-feasibility and market studies by the relevant government authorities as proposed in 2018. The Group has been facilitating for the establishment for certain regulatory measures over the relevant kitchen waste treatment at the People's Congress of Hanzhong, with an aim to formulate the kitchen waste treatment administration and liaison among the governmental departments in the area.

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

5 Hancheng Plant

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**”) in prior year and 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 design of Hancheng Plant, but has yet to reach any agreement with it. During the year ended 31 March 2020, the Group obtained several reminders from the Hancheng Federation of Supply and Marketing Cooperatives urging for resumption of construction of Hancheng Plant, while on the other hand the Hancheng Municipal Ministry of Natural Resources issued an administrative penalty notice alleging Hancheng Plant occupied certain collective land. According to such notice, the ministry proposed penalties which require: (i) returning such occupied collective land; (ii) confiscate any building and facilities on such occupied collective land; and (iii) payment of penalty of approximately RMB260,000 where the Group submitted its explanation to a hearing of the ministry. During the Period, the Group further submitted its representation to Hancheng

Federation of Supply and Marketing Cooperatives and yet to obtain any response. As such, construction of Hancheng Plant has been pending until the above matters are resolved.

The construction of Hancheng Plant has been pending during the Period until the above matter is resolved.

(ii) Provision of environmental protection solutions

During the Period, the parties to the previous Clear Industry Acquisition agreement entered into a settlement agreement on 28 May 2020 pursuant to which the parties agreed to resolve the dispute over the previous outstanding consideration of RMB7,987,500 (due by the Group) and the compensation (due by Qingqin International Group Limited (“**Qingqin**”) and its guarantor) arising from the shortfall between the profit guarantee and the consideration under the Clear Industry Acquisition agreement by, among others, the Group returning the sale shares of Clear Industry Company Limited (“**Clear Industry**”) to Qingqin, while Qingqin paying the Group a cash refund of RMB36,000,000 and the cash proceeds from the disposal of the Group’s consideration shares. Details of the settlement agreement are set out in the Company’s announcements dated 28 May 2020 and 29 July 2020.

Since 1 April 2020 up to completion of the settlement agreement, Clear Industry and its main operating subsidiaries (together, the “**Clear Industry EPC Group**”) contributed revenue of approximately RMB13.1million (equivalent to approximately HK\$14.5 million) to the Group as compared to approximately RMB6.3 million (equivalent to approximately HK\$7.2 million) in 1H2019, which was attributable by to the increased number of on-going EPC projects.

The Group ceased to consolidate the results, assets and liabilities of Clear Industry EPC Group upon the completion of the settlement agreement on 31 July 2020, which resulted in a gain of approximately HK\$41,613,000.

(iii) Industrial water treatment

1. Memsys Assets

The Group entered into a cooperation agreement with Cevital International (Dubai) Ltd. (“**Cevital**”) and established a joint venture company (“**Memsys JV**”) as to 50% by the Group and as to 50% by Cevital 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 Cevital. The Memsys JV has not commenced any business since its incorporation in

September 2018. During the Period, the shareholders to the Memsys JV resolved to commence a voluntary liquidation for the Memsys JV and such liquidation is yet to complete as of 30 September 2020 and the date of this announcement. Such liquidation would have no material impact to the Group, and upon completion of liquidation of Memsys JV, the Group's and Cevital's obligation to the cooperation agreement shall be discharged entirely.

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

The Group has been negotiating 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 Disc Tube Reverse Osmosis system for concentrated water possessed by TDR. Having considered the possible technological cooperation between the Group and TDR, the current TDR owners have agreed in principle to allow the Group to take participation in the equity of TDR on the basis of not more than RMB800 million (equivalent to approximately HK\$909.14 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\$29.55 million) which will be deemed to have been 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. The Group and the current TDR owners are negotiating the arrangement of such equity participation.

The Company entered into a memorandum of understanding dated 22 July 2020 with an affiliate of the TDR current owner pursuant to which the Company (or through its designated parties) intended to about 18% equity interest in TDR, details of which are set out in the Company's announcement dated 22 July 2020.

III Industrial fluids systems services

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.

Vimab was indebted to a fund (the “**Fund**”) in the principal of SEK131,000,000 (approximately HK\$101,509,000) pursuant to a loan agreement (the “**Loan Agreement**”) entered into between Vimab (as borrower) and the Fund (as lender). Pursuant to the Loan Agreement, the indebtedness should be repaid in full on 16 April 2021, and such indebtedness was secured (the “**Pledge**”) by all the issued shares of Vimab (the “**Pledged Shares**”). According to the Loan Agreement, the Fund has the right to call for immediate full repayment. The Fund enforced the Pledge and transferred all the Pledged Shares to a company designated by it on or around 7 April 2020 without any instrument entered by the holding company of Vimab and the Company. As such, Vimab ceased to be the subsidiary subsequent to such enforcement of Pledged Shares.

On 27 July 2020, the parties compromised on settling all disputes and claims between them relating to the Loan Agreement and/or the enforcement of the Pledge and entered into a discharge agreement (the “**Discharge Agreement**”), pursuant to which the Group undertook that, among others, not to make any claims on the Fund’s nominee ownership of the Pledged Shares, and/or the enforcement of the pledge of the Pledged Shares. On the other hand, the Fund undertook and confirmed that the obligations and/or liabilities of the Group in connection with or in relation to the Loan Agreement and any letter of comfort will cease and terminate. The Discharge Agreement will not exempt, waive or relieve the Fund from its obligation to repay any surplus from the enforcement of the Pledge to the Group as the original pledgor of the Shares.

Details of the above matter are set out in the Company’s announcements dated 29 April 2020, 26 May 2020 and 27 July 2020.

As such, the Group did not consolidate the results, assets and liabilities upon the Pledge was enforced on or around 7 April 2020.

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.

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. The unaudited 2019 EBITDA is less than the financial benchmark of that as set out in the Share Purchase Agreement. Therefore the Company attempts to negotiate with other parties to the Vimab Agreement to agree such results and not perform a special audit as stipulated in the Vimab Agreement.

Events after the Reporting Period

(1) Loudi Plant

The Group entered into a sale and purchase agreement dated 5 October 2020 to dispose of its 100% equity interest at a consideration of RMB30 million. Such disposal was completed as at the date of this announcement, and details of which are set out in the Company's announcement dated 5 October 2020.

(2) Forest Water Environmental Engineering Company Limited ("Forest Water")

The Company issued convertible bonds with principal amount of US\$5,000,000 to Forest Water, a limited company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 8473). As set out in the annual reports of the Company for the years ended 31 March 2020 and 31 March 2019, the suspension of the trading of the Company's shares during the period from 3 July 2018 to 15 February 2019 constituted an event of default under the terms of the convertible bonds which entitled Forest Water to redeem all or part of the convertible bonds at its discretion, and the Company had been negotiating with the Forest Water on the settlement arrangement about the repayment for outstanding principal and interests. During the course of negotiation, the Company did not paid the interest under the Convertible Bonds to Forest Water.

On 22 October 2020, the Company received a writ of summons dated 16 October 2020 (the "Writ") with a statement of claim issued by the High Court of Hong Kong, wherein Forest Water (as plaintiff) sought, among others, the following orders against the Company (as defendant): (1) a sum of US\$6,572,708 (as the aggregate of the principal amount of US\$5,000,000 and interest of US\$1,572,708 under the Convertible Bonds), with daily interest of US\$1,667; (2) costs; and (3) further or other relief as the Court sees fit. The Company is in the course of seeking legal advice and such matter is yet to finalise up to the date of this announcement. Details of the above matter are set out in the Company's announcement dated 22 October 2020.

Outlook

The construction industry was full of challenges during the reporting period under the uncertainties arising from COVID-19 and outlook of the macroeconomy. However, the planned commitment in the Government's public expenditure on infrastructure will help to create new projects for the construction industry in Hong Kong, and we are conservatively optimistic about the construction market in the long term.

The kitchen treatment industry experiences rapid investment growth after entering into 2020. In the first quarter of 2020, the newly announced treatment projects amounts to 13 which accounts to 60% of that of 2019. With the penetration level in first-tier cities and provincial cities increases to a relatively high level, the related kitchen waste investment has shifted to other second and third tier cities. The technology of this industry also experiences an upgrade from harmlessness to resource utilization. Based on the experience for the few years, our technology become more stable, which should enable us to capture these business opportunities as well.

FINANCIAL REVIEW

Results of the Group

During the Period, revenue of the Group decreased by approximately 12.14% to approximately HK\$344.9 million (30 September 2019: HK\$392.6 million), which was due to both the decrease in 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.

Profit attributable to owners of the Company from continuing operations amount to approximately HK\$7,360,000 as compared with loss attributable to owners of approximately HK\$8,596,000 for the corresponding period.

Basic earnings per share from continuing operations was HK1.18 cents as compared to loss per share of HK1.50 cents for the corresponding period.

Other income and gains

Other income and gains, net, increased from approximately HK\$39.5 million to HK\$52.2 million. In the corresponding period, the amount mainly represented the gain of approximately HK\$29.3 million arising from the disposal of the entire interest in Stand Ascent Limited in relation to proposed development of hydropower stations in Indonesia and government grant. During the Period, other income and gains was mainly generated from the gain of disposal of approximately HK\$44.3 million of certain civil engineering works and building works within the Construction Business and Clear Industry EPC Group.

Administrative expenses

Administrative expenses of the Group decreased by approximately 20.4% from approximately HK\$58.4 million for six months ended 30 September 2019 to approximately HK\$46.4 million for the Period, representing approximately 13.5% and 14.9% of the Group's revenue for the Period and the corresponding periods, respectively. The decrease in administrative expenses was mainly resulted from downsizing in our Hong Kong and certain PRC offices with an aim to tighten the cost control, in particular during the COVID-19 outbreaking period. In addition, share option expenses of approximately HK\$3.5 million was recognised in corresponding period (the Period: nil).

Other expenses

During the Period, other expenses of the Group mainly represented the one-off impairment of approximately HK\$16.4 million between the expected sales proceed and the carrying values of its assets and liabilities along with the classification as disposal group as held for sale.

Finance costs

Finance costs of the Group maintained and slightly decreased by approximately 0.6% from approximately HK\$16.5 million for the corresponding period to approximately HK\$16.6 million for the Period as the Group's overall borrowing level (excluding the discontinued operation) remained similar compared to that in the corresponding period.

Liquidity and financial resources

As at 30 September 2020, the total assets of the Group decreased by approximately 15.0% to approximately HK\$1,106.9 million from approximately HK\$1,302.1 million as of 31 March 2020. As at 30 September 2020, the Group had bank balances and cash of approximately HK\$39.8 million (as at 31 March 2020: approximately HK\$29.8 million).

The total interest-bearing loans comprising lease liabilities, interest-bearing bank and other borrowings and bonds of the Group as at 30 September 2020 was approximately HK\$315.1 million (31 March 2020: approximately HK\$425.4 million), and current ratio for the Period was approximately 0.87 (31 March 2020: approximately 0.59).

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

Included in other payables were amount due to Forest Water with principal and accrued interest of US\$6.6 million (approximately HK\$51.4 million), resulting from prior issue of convertible bonds to Forest Water. Such convertible bonds were classified as other payables upon the Company's shares suspended for trading for more than 30 days.

In October 2020, the Company received a writ of summons against the Company, pursuant to which Forest Water sought, among others, the repayment of the outstanding balances due to it, details of which are set out in section headed “Events after the reporting period”.

Gearing ratio

The gearing ratio as at 30 September 2020 was approximately 206.7% (as at 31 March 2020: approximately 385.7%).

The decrease in gearing ratio was mainly attributable to the decrease in overall Group’s borrowings during the Period.

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 respective period/year.

Pledge of assets

As at 30 September 2020, the Group pledged certain assets including property, plant and equipment with carrying values of approximately HK\$100,806,000 (31 March 2020: approximately HK\$112,810,000), as collateral to secure the facilities granted to the Group.

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

Foreign exchange exposure

Certain revenue-generating operations and assets and liabilities of the Group are denominated in RMB and may expose the Group to the fluctuation of Hong Kong dollars against RMB. 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 Period, the Group allotted and issued 50,922,000 placement shares and 49,768,000 subscription shares under the general mandate of the Company held on 16 August 2019, details of which are summarised below:

(i) Placement of shares

The Company entered into a placing agreement dated 10 June 2020 with a placing agent pursuant to which such placing agent has conditionally agreed to place up to 57,290,113 new Shares, at a price of HK\$0.202 per placing share. Such placement of shares was completed on 2 July 2020 and 50,922,000 placing shares were issued under the general mandate of the Company held on 16 August 2019. The net proceeds from such placement of shares were approximately HK\$10.6 million.

(ii) Allotment and issue of new shares

Reference is made to the Company's announcement dated 15 June 2020 with 3 subscribers pursuant to which such placing agent has conditionally agreed to subscribers have conditionally agreed to subscribe for an aggregate of 49,768,000 subscription shares at the subscription price of HK\$0.221 per subscription share. Such subscription was completed on 26 June 2020. and 49,768,000 subscription shares were issued under the general mandate passed at the annual general meeting of the Company held on 16 August 2019. The net proceeds from such subscription were approximately HK\$11.0 million.

The proceeds from (i) the placement of shares; and (ii) allotment and issue of the subscription shares were used for the Company's general working capital as intended and were utilised as at 30 September 2020.

Capital commitments

As at 30 September 2020, the Group had capital commitment of approximately HK\$36.4 million (as at 31 March 2020: approximately HK\$45.3 million).

Going concern basis

During the Period, the Group had net current liabilities of HK\$65.8 million as at 30 September 2020.

The above conditions indicate the existence of a material uncertainty about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of such circumstances, the Board has prepared a cash flow forecast of the Group covering a period of 18 months from the end of the Period (the "Forecast Period"). In doing so, the Board has given careful consideration to its operating needs, the future liquidity of the

Group and its available sources of financing, in assessing whether the Group will be able to repay the outstanding debts and be able to finance its future working capital and other financial requirements.

The cash flow forecast has included the effects of the following major measures and events that have been implemented or taking place in order to enhance the Group's liquidity position to meet its financial obligations as and when they fall due, including the aforesaid bonds, interest-bearing bank and other borrowings of HK\$310.8 million and current trade and retention payable, other payables and accruals and lease liabilities totalling HK\$295.8 million as at 30 September 2020:

- a) Collecting the proceeds from the disposal of Clear Industry EPC Group amounting to RMB18 million (approximately HK\$20.5 million), representing the 3rd and 4th instalments to be received, within the Forecast Period;
- b) Collecting the proceeds from disposal of Loudi Plant amounting to RMB10 million (approximately HK\$11.4 million), representing the remaining instalment to be received within the Forecast Period;
- c) The Group appointed a placing agent in arranging at best effort basis for the issue of the corporate bonds that repayable after 2 year of approximately HK\$200 million;
- d) The Group obtained an interest-free loan of HK\$50 million from an indirect substantial shareholder of the Company within the Forecast Period which is repayable after 12 months from 5 August 2020;
- e) The Group has been negotiating with potential investor for possible divestment of its its non-core assets/projects under development and/or construction stages; and
- f) The Group has been also actively identifying any other possible financing options and debt restructuring exercises to further enhance and strengthen the liquidity of the Group.

The Directors are of the opinion that, taking into account the above-mentioned measures and events, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due over the Forecast Period. Accordingly, it is appropriate to prepare the interim financial information for the Period on a going concern basis.

Human resources management

As at 30 September 2020, the Group had 380 employees under continuing operations, including Directors (as at 31 March 2020: 432 employees, including Directors). Total staff costs (including Directors' emoluments) under continuing operations were approximately HK\$48.1 million for the Period as compared to approximately HK\$49.0 million for the six months ended 30 September 2019. 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

The Group did not hold any significant investment in equity interest in any other company during the Period.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Contingent liabilities

As at 30 September 2020, the Group had an outstanding performance bond for construction contracts amounted to approximately HK\$59.8 million (as at 31 March 2020: approximately HK\$68.4 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (for the six months ended 30 September 2019: nil).

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 Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") 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 during the Period.

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 Period.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the relevant code provisions of the CG Code. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system and internal control procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that the management has discharged its duty to have an effective internal control system.

The Audit Committee comprises three independent non-executive Directors, namely Dr. Tong Ka Lok (Chairman), Mr. Lo Chun Chiu, Adrian and Mr. Choy Wai Shek, Raymond, *MH, JP*.

The interim results of the Group for the Period are unaudited but have been reviewed by the Audit Committee, which is of the opinion that the interim financial information of the Group comply with the applicable accounting principles and practices adopted by the Group as well as the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM REPORT

The Company's interim report containing information required to be disclosed pursuant to Appendix 16 to the Listing Rules 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 will be despatched to the shareholders of the Company in due course.

By Order of the Board
New Concepts Holdings Limited
Zhu Yongjun
Chairman and Executive Director

Hong Kong, 23 November 2020

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun and Mr. Lee Tsi Fun Nicholas; the non-executive Directors are Dr. Ge Xiaolin and Dr. Zhang Lihui; and the independent non-executive Directors are Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, MH, JP.

* *For identification purpose only*