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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

ANNUAL 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 2021 (the “**Year**” or “**FY2021**”), together with the comparative figures for the year ended 31 March 2020 (“**FY2020**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CONTINUING OPERATIONS			
Revenue	4	591,523	648,616
Cost of sales		<u>(567,858)</u>	<u>(601,634)</u>
Gross profit		23,665	46,982
Other income and gains, net	4	56,824	40,833
Reversals of/(provision on) expected credit loss on financial and contract assets		5,402	(37,928)
Administrative expenses		(112,994)	(131,372)
Other expenses		(1,448)	(53,703)
Finance costs	5	<u>(38,294)</u>	<u>(33,314)</u>
Loss before tax from continuing operations	6	(66,845)	(168,502)
Income tax	7	<u>3,240</u>	<u>21,244</u>
Loss for the year from continuing operations		(63,605)	(147,258)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	8	<u>—</u>	<u>(165,196)</u>
LOSS FOR THE YEAR		<u>(63,605)</u>	<u>(312,454)</u>
Loss for the year attributable to owner of the Company:			
— from continuing operations		(54,998)	(130,483)
— from discontinued operation		<u>—</u>	<u>(165,196)</u>
Loss for the year attributable to the owner of the Company		(54,998)	(295,679)
Loss for the year attributable to non-controlling interests			
— from continuing operations		<u>(8,607)</u>	<u>(16,775)</u>
		<u>(63,605)</u>	<u>(312,454)</u>

	<i>Note</i>	2021 <i>HK cents</i>	2020 <i>HK cents</i>
Loss per share attributable to the owner of the Company:	<i>9</i>		
Basic			
— Loss for the year		(8.47)	(51.61)
— Loss for the year from continuing operations		(8.47)	(22.78)
Diluted			
— Loss for the year		(8.47)	(51.61)
— Loss for the year from continuing operations		(8.47)	(22.78)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	(63,605)	(312,454)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	26,169	(21,081)
Recycle of exchange differences upon disposal of foreign operations and discontinued operation	<u>3,749</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(33,687)</u>	<u>(333,535)</u>
Attributable to:		
Owners of the Company	(32,297)	(313,446)
Non-controlling interests	<u>(1,390)</u>	<u>(20,089)</u>
	<u>(33,687)</u>	<u>(333,535)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		100,359	181,691
Goodwill		—	22,563
Operating concessions		80,636	260,472
Other intangible assets		2,413	51,785
Receivables under service concession arrangements		61,183	314,752
Prepayments, deposits and other receivables		62,068	42,307
Retention receivables	<i>10</i>	7,415	19,733
		<hr/>	<hr/>
Total non-current assets		314,074	893,303
CURRENT ASSETS			
Inventories		12,206	40,612
Contract assets		12,215	7,283
Trade and retention receivables	<i>10</i>	134,583	171,679
Receivables under service concession arrangements		8,409	32,112
Prepayments, deposits and other receivables		77,369	95,462
Loan receivables		363	2,908
Consideration receivables		—	17,607
Financial assets at fair value through profit or loss		—	10,804
Tax recoverable		—	513
Cash and cash equivalents		66,686	29,817
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale	<i>12</i>	457,460	—
		<hr/>	<hr/>
Total current assets		769,291	408,797

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CURRENT LIABILITIES			
Contract liabilities		7,253	4,854
Trade and retention payables	<i>11</i>	116,218	166,990
Other payables and accruals		171,380	222,039
Lease liabilities		1,762	5,660
Due to directors		—	9,296
Interest-bearing bank and other borrowings		123,686	254,033
Bonds		25,500	25,500
Tax payables		7,333	7,877
		453,132	696,249
Liabilities of a disposal group classified as held for sale	<i>12</i>	253,550	—
Total current liabilities		706,682	696,249
NET CURRENT ASSETS/(LIABILITIES)		62,609	(287,452)
TOTAL ASSETS LESS CURRENT LIABILITIES		376,683	605,851
NON-CURRENT LIABILITIES			
Due to related parties		212,482	217,345
Interest-bearing bank and other borrowings		—	134,663
Retention payables	<i>11</i>	2,715	7,673
Other payables		12,000	13,998
Provision		10,737	45,712
Lease liabilities		—	5,587
Deferred tax liabilities		3,084	26,648
Total non-current liabilities		241,018	451,626
Net assets		135,665	154,225
EQUITY			
Equity attributable to owners of the Company			
Share capital		69,359	57,290
Reserves		31,118	53,014
		100,477	110,304
Non-controlling interests		35,188	43,921
Total equity		135,665	154,225

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 and environmental protection.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

The consolidated 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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange. They have been prepared under the historical cost convention, except for the Group’s financial assets at fair value through profit or loss (“FVTPL”) which have been measured at fair value. These consolidated 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 HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

The adoption of the above revised standards has no significant financial effect on the consolidated financial statements.

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

4. REVENUE, OTHER INCOME AND GAINS, NET

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 works 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 People's Republic of China (“**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 8.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction works	504,913	535,032
Environmental protection — operational income	69,211	96,786
	<hr/>	<hr/>
Subtotal	574,124	631,818
Revenue from other sources		
Environmental protection — financial income	17,399	16,798
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	591,523	648,616
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Goods or services transferred at a point in time	69,211	96,786
Service transferred over time	504,913	535,032
	<hr/>	<hr/>
	574,124	631,818
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Bank interest income	34	504
Gain on disposal of equity interest in Stand Ascent Limited	—	29,349
Financial guarantee service fee income	2,619	2,633
Machinery rental income	7,630	683
Rental income	870	23
Government grants	8,028	3,522
Release of deferred income	507	599
Sales of construction materials	2,735	—
Others	176	357
	<hr/>	<hr/>
	22,599	37,670
	<hr/> <hr/>	<hr/> <hr/>
Gains, net		
Gain on disposal of property, plant and equipment	141	3,163
Gain on disposal of subsidiaries	27,872	—
Exchange gain	6,212	—
	<hr/>	<hr/>
	34,225	3,163
	<hr/> <hr/>	<hr/> <hr/>
	56,824	40,833
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(a) Segment revenue and results

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

	Continuing operations			Discontinued operation	Consolidated
	Construction works	Environmental protection	Sub-total	Industrial fluids system services	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2021					
Disaggregated by timing of revenue recognition:					
Point in time	—	69,211	69,211	—	69,211
Over time	504,913	—	504,913	—	504,913
Revenue from other sources	—	17,399	17,399	—	17,399
Revenue and sales to external customers	504,913	86,610	591,523	—	591,523
Segment results	17,644	(38,175)	(20,531)	—	(20,531)
<i>Reconciliation:</i>					
Interest income			34	—	34
Corporate and unallocated income and gains			754	—	754
Corporate and unallocated expenses			(8,808)	—	(8,808)
Finance costs			(38,294)	—	(38,294)
Loss before tax			(66,845)	—	(66,845)

	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>	
Year ended 31 March 2020					
Disaggregated by timing of revenue recognition:					
Point in time	—	96,786	96,786	188,552	285,338
Over time	535,032	—	535,032	—	535,032
Revenue from other sources	—	16,798	16,798	—	16,798
Revenue and sales to external customers	535,032	113,584	648,616	188,552	837,168
Segment results	(13,661)	(100,724)	(114,385)	(166,938)	(281,323)
<i>Reconciliation:</i>					
Interest income			504	—	504
Corporate and unallocated income and gains			(135)	2,584	2,449
Corporate and unallocated expenses			(21,172)	7,286	(13,886)
Finance costs			(33,314)	(13,489)	(46,803)
Loss before tax			(168,502)	(170,557)	(339,059)

(b) **Segment assets and liabilities**

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

	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>	
As at 31 March 2021					
Segment assets	243,520	773,159	1,016,679	—	1,016,679
<i>Reconciliation:</i>					
Corporate and unallocated assets			66,686	—	66,686
Total assets			<u>1,083,365</u>	<u>—</u>	<u>1,083,365</u>
Segment liabilities	338,116	520,504	858,620	—	858,620
<i>Reconciliation:</i>					
Corporate and unallocated liabilities			89,080	—	89,080
Total liabilities			<u>947,700</u>	<u>—</u>	<u>947,700</u>
Other segment information:					
Depreciation	27,612	3,151	30,763	—	30,763
Amortisation of operating concessions	—	5,809	5,809	—	5,809
Reversal of Expected credit loss (“ECL”) on financial and contract assets	(3,715)	(1,687)	(5,402)	—	(5,402)
Impairment of goodwill	—	1,128	1,128	—	1,128

	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>	
As at 31 March 2020					
Segment assets	278,273	822,698	1,100,971	171,312	1,272,283
<i>Reconciliation:</i>					
Corporate and unallocated assets			25,394	4,423	29,817
Total assets			<u>1,126,365</u>	<u>175,735</u>	<u>1,302,100</u>
Segment liabilities	429,696	454,068	883,764	151,586	1,035,350
<i>Reconciliation:</i>					
Corporate and unallocated liabilities			96,572	15,953	112,525
Total liabilities			<u>980,336</u>	<u>167,539</u>	<u>1,147,875</u>
Other segment information:					
Depreciation	27,499	6,248	33,747	10,725	44,472
Amortisation of operating concessions	—	16,430	16,430	—	16,430
Amortisation of other intangible assets	—	—	—	11,804	11,804
ECL on financial and contract assets	1,320	36,608	37,928	(14)	37,914
Impairment of property, plant and equipment	—	—	—	678	678
Impairment of goodwill	—	1,304	1,304	138,594	139,898
Impairment of operating concession	—	52,399	52,399	—	52,399
Impairment of other intangible assets	—	—	—	777	777
Gain on disposal of equity interest in Stand Ascent Limited	—	(29,349)	(29,349)	—	(29,349)

(c) **Information about major customers**

Revenue from external customers of the Group's construction segment who contributed over 10% of the Group's revenue as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Client A	N/A*	83,764
Client B	140,164	N/A*
Client C	113,493	N/A*
Client D	76,889	N/A*
	<u>330,546</u>	<u>83,764</u>

* Revenue did not contribute over 10% of the Group's revenue for the corresponding years.

(d) **Geographical information**

(a) *Revenue from external customers*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	504,913	535,032
Mainland China	86,610	113,584
	<u>591,523</u>	<u>648,616</u>

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

(b) *Non-current assets*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	93,577	119,454
Mainland China	89,831	300,112
	<u>183,408</u>	<u>419,566</u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on amounts due to related parties	6,431	7,702
Interest on bank loans, overdrafts and other loans	22,152	16,267
Interest on convertible bonds	189	—
Interest element of lease liabilities	224	1,038
Interest on bonds	1,654	1,661
Interest on other payables	7,644	6,646
	<u>38,294</u>	<u>33,314</u>

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	10,093	33,433
Cost of construction works	452,195	482,743
Cost of engineering, procurement and construction services rendered	37,353	32,952
Cost of kitchen waste treatment services rendered	44,271	52,506
Write down of inventories	23,946	—
Auditor's remuneration	1,450	2,200
Depreciation		
— Owned property, plant and equipment	28,031	30,901
— Right-of-use-assets included within		
— office premises	2,325	2,551
— motor vehicles	407	295
Amortisation of operating concessions	5,809	16,430
Foreign exchange (gain)/loss, net	(6,212)	511
Employee benefit expense (excluding directors' remuneration):		
Wages, salaries, bonuses, allowances and benefits in kind	106,694	108,106
Equity-settled share option expense	—	5,048
Pension scheme contributions (defined contribution schemes)	5,008	6,393
	<u>111,702</u>	<u>119,547</u>
Impairment of goodwill	1,128	1,304
Impairment of operating concessions	—	52,399
Loss on discontinued operation	320	—
Other expenses, net	<u>1,448</u>	<u>53,703</u>

7. INCOME TAX

The amount of taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	—
Current — PRC		
Charge for the year	152	—
Overprovision in prior years	—	(72)
Deferred tax	<u>(3,392)</u>	<u>(21,172)</u>
Total tax credit for the year	<u>(3,240)</u>	<u>(21,244)</u>

8. DISCONTINUED OPERATION

The results of the Industrial Fluids System Services for the year ended 31 March 2021 (since 1 April 2020 up to enforcement of shares on or around 7 April 2020) and the corresponding period are presented below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$000</i>
Revenue	—	188,552
Cost of sales	<u>—</u>	<u>(50,820)</u>
Gross profit	—	137,732
Other income and gains, net	—	3,000
Reversal of expected credit loss of financial assets	—	14
Administrative expenses	—	(157,765)
Finance costs	—	(13,489)
Other expenses	—	(1,455)
Impairment loss of goodwill	<u>—</u>	<u>(138,594)</u>
Loss before tax from discontinued operation	—	(170,557)
Income tax credit	<u>—</u>	<u>5,361</u>
Loss for the year from discontinued operation	<u>—</u>	<u>(165,196)</u>

The assets and liabilities under discontinued operation at the date of enforcement of shares 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 payables	(1,031)
Interest-bearing bank and other borrowings	(113,260)
Deferred tax liabilities	(14,922)
	<u>320</u>
Loss on discontinued operation	<u>(320)</u>
	—
Total consideration	<u><u>—</u></u>

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

The calculation of the loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 649,100,189 (31 March 2020: 572,900,134) in issue during the year. The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2020 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The calculations of basic and diluted losses per share are based on:		
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic losses per share calculation:		
— From continuing operations	54,998	130,483
— From discontinued operation	—	165,196
	<u>54,998</u>	<u>295,679</u>
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, used in the basic losses per share calculation	<u>649,000,189</u>	<u>572,900,134</u>

10. TRADE AND RETENTION RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	89,653	167,177
Impairment	<u>(1,440)</u>	<u>(25,136)</u>
	<u>88,213</u>	<u>142,041</u>
Retention receivables	54,602	52,282
Impairment	<u>(817)</u>	<u>(2,911)</u>
	<u>53,785</u>	<u>49,371</u>
	<u>141,998</u>	<u>191,412</u>
Portion classified as current assets	<u>134,583</u>	<u>171,679</u>
Non-current portion	<u>7,415</u>	<u>19,733</u>

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 1 to 2 years after the completion of the construction work, as stipulated in the construction contracts.

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

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	39,569	61,168
31 to 60 days	21,001	30,012
61 to 90 days	20,219	8,940
Over 90 days	<u>7,424</u>	<u>41,921</u>
	<u>88,213</u>	<u>142,041</u>

11. TRADE AND RETENTION PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	103,045	138,397
Retention payables	<u>15,888</u>	<u>36,266</u>
	<u>118,933</u>	<u>174,663</u>
Classified as current liabilities	<u>116,218</u>	<u>166,990</u>
Non-current portion	<u>2,715</u>	<u>7,673</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 work and are settled with subcontractors within a period ranging from 1 to 2 years after the completion of the contract work by the subcontractors, as stipulated in the subcontracting contracts.

Retention payable held by the Group arose from the construction of plant operated under BOT and are settled with contractors within a period ranging from 1 to 2 years after the completion of the construction work.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	29,484	37,444
31–60 days	28,662	27,038
61–90 days	17,126	15,361
Over 90 days	<u>27,773</u>	<u>58,554</u>
	<u>103,045</u>	<u>138,397</u>

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

In February 2021, the Group entered into a disposal agreement to dispose the entire equity interests in Taiyuan Tianrun Bioenergy Co., Ltd. (“**Taiyuan Plant**”) Taiyuan Plant at a consideration of RMB120,000,000 (approximately HK\$141,982,000). Such disposal was yet to complete, and Taiyuan Plant has been classified as a disposal group held for sale and presented separately in the consolidated statement of financial position as at 31 March 2021.

The major classes of assets and liabilities comprising the operations classified as held for sale, as at 31 March 2021, were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,003
Operating concessions	115,322
Goodwill	22,334
Trade receivables	12,680
Receivables under service concession arrangements	284,252
Inventories	1,209
Prepayments, deposits and other receivables	18,070
Cash and cash equivalents	2,590
	<hr/>
Total assets classified as held for sale	457,460
	<hr/>
Trade payables	(16,246)
Other payables and accruals	(47,734)
Interest-bearing bank and other borrowings	(134,327)
Provision	(54,487)
Deferred tax liabilities	(756)
	<hr/>
Total liabilities associated with assets classified as held for sale	(253,550)
	<hr/>
Net assets of a disposal group	203,910
	<hr/> <hr/>

An impairment loss of approximately HK\$1,128,000 has been recognised in other expenses from continuing operations on the measurement of the disposal group to fair value less costs to sell. Impairment losses have been allocated to the goodwill of the disposal group. The carrying amount of the disposal group after impairment, excluding the amount due to the Group for approximately HK\$61,928,000, is approximately HK\$203,910,000.

13. DISPOSAL OF SUBSIDIARIES

- (i) In 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 (approximately HK\$39,933,000), and the cash proceeds from the consideration shares previously issued by the Company (“**Consideration Shares**”) of approximately HK\$3,797,000. Such transaction was accounted as disposal of subsidiaries for approximately HK\$43,730,000 and completed in July 2020 and resulted in a gain of approximately HK\$41,613,000.

- (ii) In 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”) for HK\$24,000,000. NEGL 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.
- (iii) In 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. On 5 October 2020, the Group entered into a disposal agreement, pursuant to which the Group disposes 100% equity interests in Loudi Plant at the consideration of RMB30,000,000 (approximately HK\$34,140,000). Such disposal resulted in a loss of approximately HK\$16,416,000.

The net assets of Clear Industry EPC Group, NEGL and Loudi Plant at the date of disposals are as follows:

	Clear Industry EPC Group <i>HK\$'000</i>	NEGL <i>HK\$'000</i>	Loudi Plant <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	77	—	263	340
Operating concessions	—	—	41,728	41,728
Receivables under service concession arrangements	—	—	23,580	23,580
Inventories	430	—	3	433
Trade and other receivables	19,786	7,091	3,617	30,494
Cash and cash equivalents	2,869	912	30	3,811
Net inter-group balances	3,007	20,388	(7,255)	16,140
Trade and other payables	(22,303)	(7,090)	(6,039)	(35,432)
Deferred tax assets/(liabilities)	284	24	(5,371)	(5,063)
	<u>4,150</u>	<u>21,325</u>	<u>50,556</u>	<u>76,031</u>
Net assets disposal of Non-controlling interests	(2,033)	—	—	(2,033)
Gain/(loss) on disposal of subsidiaries	41,613	2,675	(16,416)	27,872
	<u>43,730</u>	<u>24,000</u>	<u>34,140</u>	<u>101,870</u>

14. COMPARATIVE FIGURES

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

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) environmental protection projects including kitchen waste treatment, industrial water treatment and strategic investments in environmental protection related projects (the “**Environmental Protection Business**”); and (iii) the industrial fluids system services (the “**Industrial Fluids Business**”) at the beginning of the Year. During the Year, the Industrial Fluids Business was discontinued due to the Group’s creditor’s enforcement of its pledged shares in Vimab Holding AB in early April 2020 as detailed in the section headed “Business Review — III Industrial Fluids Systems Service” below.

BUSINESS REVIEW

I Construction Business

During the Year, the Group disposed of 100% equity interest in New Expansion Global Limited (“**NEGL**”) which principally engaged in civil engineering works and building works to an independent third party at the consideration of HK\$24,000,000. The revenue from NEGL for FY2021 (calculated from 1 April 2020 up to the completion date of the disposal) was approximately HK\$14,151,000 (FY2020: HK\$1,593,000).

During the Year, revenue generated from construction segment was approximately HK\$504.9 million, representing a decrease of 5.6% from approximately HK\$535.0 million for FY2020. The decrease was mainly attributable to the decrease of the number of sizable projects undertaken by the Group during the Year.

The overall gross profit margin of the construction business increased to approximately 10.4% (FY2020: 6.9%). If the disposal of NEGL was excluded, the overall gross profit margin of the construction business would be approximately 10.7%. The significant improvement was attributable to the increase in projects with higher profit margin as compared with last year, and no unexpected increase in project costs due to delay in work progress.

Revenue from this segment is generated from both public and private sector projects with approximately 53.0% of the segment revenue contributed by the foundation projects in public sectors. Out of the total segment revenue of HK\$504.9 million, the key contributors were (i) a foundation project in HKBU contributing approximately HK\$113.5 million during the Year; and (ii) a foundation project in Tuen Mun Hin Fat Lane and North Point Java Road contributing approximately HK\$103.3 million during the Year.

The Group has completed a total of 9 projects in FY2021 (FY2020: 12 projects) and secured 3 new projects (2020: 11 new projects) during the Year with aggregated contract value of approximately HK\$523.7 million (FY2020: approximately HK\$695.8 million). All new projects secured during the Year had commenced construction, and 1 out of 3 new projects was completed during the Year. As at 31 March 2021, 4 projects were in progress (FY2020: 11 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 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. 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
3 Kai Tak (Site B) project	Kai Tak Development Area (Site B)	Foundation	Construction of Bored Pile
4 Water treatment project	Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan	Foundation	Construction of Mini-Piling Works
5 HKBU project	Hong Kong Baptist University, 30 Renfrew Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, ELS and Pile Cap Works
6 Hung To Road project	32 Hung To Road, Kwun Tong, Kowloon	Foundation	Construction of Bored Pile
7 Kwun Tong project	Kwun Tong	Foundation	Construction of Mini-piles
8 Kwai Chung, Lam Tin Street project	Nos 2-16 Lam Tin Street, Kwai Chung, HK	Foundation	Construction of Foundation, ELS and Pile Cap Works
9 Tung Chung Area 100 project	Tung Chung Area 100	Foundation	Construction of Bored Pile

Projects in Progress

Name of project	Location	Sector	Main category of work
1 Palace Museum project	West Kowloon Cultural District, West Kowloon, Tsim Sha Tsui	Foundation	Mini-piles and Grout Curtain Works
2 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
3 Fanling North Project	Fanling North New Development Area, Phase 1	Foundation	Construction of Mini Piles and Asscoiated GIFW Works
4 Wang Chiu Road Project	Wang Chiu Road Phase 1, Kowloon Bay	Foundation	Construction of Bored Pile, SHP, ELS and Pile Cap Works

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 (the “**Provision of Environmental EPC Solutions**”); and
- (iii) industrial water treatment.

For the Year, the Group’s revenue from the Environmental Protection Business decreased by approximately 23.8% to approximately HK\$86.6 million (FY2020: approximately HK\$113.6 million). Discussion and analysis on the business performances of kitchen waste treatment, provision of EPC operation and industrial water treatment are set out below.

1. Kitchen waste treatment

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, grease, biogas, etc. produced during the process of kitchen waste treatment.

During the Year, revenue generated from kitchen waste treatment amounted to HK\$61.8 million (FY2020: HK\$66.8 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 in the first quarter of FY2021, which subsequently resumed to normal thereafter.

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. 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.

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 an average of 48 tons per day in March 2020. As at 31 March 2021, capacity of Taiyuan Plant was about 264 tons per day.

On 8 February 2021, the Group entered into a disposal agreement with 北控十方(山東)環保能源集團有限公司 to dispose the entire equity interest in Taiyuan Plant at a consideration of RMB120,000,000 (equivalent to approximately HK\$141.98 million). Such disposal constituted a very substantial disposal and the Company has already obtained shareholders' approval on such disposal at the extraordinary general meeting held on 28 April 2021. As at 31 March 2021, the disposal has not yet completed, and therefore, Taiyuan Plant has been classified as a disposal group held for sale and presented separately in the statement of financial position as at 31 March 2021.

Details of disposal of the Taiyuan Plant are set out in the Company's announcement dated 8 February 2021 and circular dated 8 April 2021.

(ii) 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. Hefei Plant has been undergoing a technology improvement, and its utilised capacity was therefore reduced to 100 tons per day as of 1 April 2019. Due to COVID-19, its capacity dropped from an average of 159 ton per day in December 2019 to 34 ton per day in March 2020. As at 31 March 2021, utilised capacity of Hefei Plant was about 205 tons per day.

Pursuant to the Hefei Plant acquisition agreement and capital injection agreement entered on 23 January 2017 (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\$7,040,000) and RMB12,410,000 (equivalent to approximately HK\$14,683,000) for the first two years, respectively and RMB17,063,800 (equivalent to approximately HK\$20,190,000) per year thereafter until expiration of the concession right to operate Hefei Plant on 26 June 2038 (“**Guaranteed Revenue**”), 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. 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.

The technological improvement of Hefei Plant was completed during the Year where its normal production capacity resumes back to 200 tons per day. Subsequent to the end of the reporting period, Hefei Plant has been installing fertilizers-related equipment and will commence trial operations to determine whether the output meets the national requirement. As such, the Guaranteed Revenue was yet to take place for the Year but will be commenced in the coming financial year.

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

(iii) Loudi Plant

Loudi Plant was operated by Loudi Fangsheng Environmental Technology Co. Ltd# (婁底市方盛環保科技有限公司) (“**Loudi Fangsheng**”), an indirect 80%-owned subsidiary of the Company at the beginning of the Year.

During the Year, the Group acquired 20% equity interest in Loudi Fangsheng at a consideration of RMB6,110,600 (approximately HK\$6,954,000) and thereafter disposed 100% equity interest in Loudi Fangsheng to two independent purchasers at a consideration of RMB30,000,000 pursuant to a sale and purchase agreement dated 5 October 2020. The disposal was carried out with an aim to strengthen the Group's financial position and liquidity. The disposal of Loudi Fangsheng was completed during the Year and resulted a loss of approximately

RMB14,799,000 (approximately HK\$16,416,000). Details of the said disposal are set out in the Company's announcement dated 5 October 2020.

(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股份有限公司) (“**Hanzhong JV**”). 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).

The Group owned 92% interest in Hanzhong Plant at the beginning of the Year.

During the Year, the Group and the other 8% Hanzhong JV shareholder transferred 12% and 8% of their unpaid capital contribution right in Hanzhong Plant, respectively to Hanzhong Urban Construction Investment Development Co., Ltd. (漢中市城市建設投資開發有限公司) (“**UCID**”). Upon completion of the transfer, the shareholding in Hanzhong Plant is held as to 80% and 20% by the Group and UCID, respectively. UCID is a company established by the Hanzhong municipality government and the Company believed that the disposal would reduce the Group's investment commitment in Hanzhong Plant, while the future construction and operations of Hanzhong Plant will be better off through the strong local support and connection of UCID.

The operation model of Hanzhong Plant is yet to be determined and its construction is yet to commence. UCID has been liaising with relevant government departments so as to speed up the signing of service concession arrangement agreement.

(v) Hancheng Plant

Hancheng Jiemu Environmental Technology Co. Ltd[#] (韓城潔姆環保科技有限公司) (“**Hancheng Plant**”) is a wholly-owned subsidiary of the Group.

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 no agreement was reached. In FY2020, the Group received 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. As such, the construction of Hancheng Plant has been pending since FY2020 until the above matters are resolved.

During the Year, the Group has been negotiating with Hancheng Federation of Supply and Marketing Cooperatives for entering a proposed suspension of construction and clearance arrangement. No formal agreement has been reached as at the date of this announcement.

2. Provision of Environmental Improvement Solutions

The Group's provision of environmental EPC solutions was initially carried by Clear Industry Company Limited ("**Clear Industry**"), a company acquired by the Group through cash and issuance of consideration shares under an acquisition agreement dated 2 November 2016 which was owned as to 51% by the Company at the beginning of the Year. Pursuant to the said acquisition agreement, Qingqin International Group Limited ("**Qingqin**") guaranteed if the audited net profit after tax of Clear Industry for each of the financial years ended 31 March 2017, 2018 and 2019 failed to meet with the agreed target, Qingqin shall compensate the shortfall between the actual profit and the agreed target profit to the Group. The said profit targets could not be met and the vendor should compensate RMB87,975,000 to the Group, whilst an amount of RMB7,987,500 cash consideration payable by the Group for the acquisition of Clear Industry remained outstanding.

During the Year, the parties to the acquisition agreement entered into a settlement agreement on 28 May 2020, pursuant to which the parties agreed to resolve the dispute over the outstanding cash consideration and the profit guarantee compensation by, among others, the Group returning the equity interest in Clear Industry to Qingqin, while Qingqin paying the Group a cash refund of RMB36,000,000 and the cash proceeds from disposal of the Company's consideration shares.

As of 31 March 2021, Qingqin refunded its committed balance of RMB16,000,000 in cash to the Group pursuant to the settlement agreement (as amended and supplemented by the first, second and third supplemental agreements in relation to the extension and reschedule of the time of repaying the cash refund and the disposal of the consideration shares). The disposal of consideration shares has not yet taken place as at the date of this announcements. Details of the settlement agreement are set out in the Company announcements dated 28 May 2020, 29 July 2020, 5 November 2020, 1 December 2020 and 7 May 2021.

Since 1 April 2020 up to completion of the settlement agreement on 31 July 2020, Clear Industry and its main operating subsidiaries (together, the “**Clear Industry EPC Group**”) contributed revenue of approximately RMB13.1 million (equivalent to approximately HK\$15.1 million) to the Group as compared to approximately RMB41.5 million (equivalent to approximately HK\$46.8 million) in FY2020.

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

Subsequent to the return of the equity interest in Clear Industry, the Group commenced its own EPC services in January 2021, but its EPC revenue is still minimal up to 31 March 2021.

3. Industrial water treatment

(i) 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 Year, the shareholders to the Memsys JV resolved to commence a voluntary liquidation for the Memsys JV and such liquidation is completed subsequent

to the reporting period. The liquidation would have no material impact to the Group, and upon completion of liquidation of Memsys JV, the Group's obligation under the cooperation agreement shall be discharged entirely.

(ii) *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.

In July 2020, the Company entered into a memorandum of understanding with an affiliate of the TDR current owner pursuant to which the Company (or through its designated parties) intended to acquire about 18% equity interest in TDR.

The Group and the current TDR owners are negotiating the arrangement of such equity participation.

III Industrial Fluids Systems Service

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. It was a wholly-owned subsidiary of the Company at the beginning of the Year.

Vimab was indebted to a fund (the “**Fund**”) in the principal of SEK131,000,000 (approximately HK\$101,509,000) under a loan agreement (the “**Loan Agreement**”), pursuant to which such indebtedness was secured (the “**Pledge**”) by all the issued shares of Vimab (the “**Pledged Shares**”) and shall be repaid in full by 16 April 2021. 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 Fund, Vimab, the Company and other related parties compromised on settling all disputes and claims in relation 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.

Following completion of the above enforcement of the Pledged Shares, Vimab ceased to be a subsidiary of the Company, and the Group did not consolidate its results, assets and liabilities upon the Pledge was enforced on or around 7 April 2020.

Pursuant to the Vimab acquisition agreement (the “**Vimab Agreement**”) dated 3 May 2018, the Group should satisfy the consideration for the acquisition of Vimab by (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, among which 19,488,428 Consideration Shares were subject to lock-up and should be released upon fulfilment of certain financial benchmarks (including the audited EBITDA) by the Vimab Group for each of the financial year ended 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 of Vimab Group is not available as at the date of this announcement and the Company will make further announcement upon any update. The unaudited 2019 EBITDA of Vimab Group is less than the financial benchmark of that as set out in the Vimab Agreement. Since Vimab ceased to be a subsidiary of the Company upon enforcement of the Pledge under the Discharge Agreement as stated above, the Company was unable to conduct audit on the Vimab Group. Therefore the Company attempted to negotiate with other parties to the Vimab Agreement to adopt the unaudited figures and not perform a special audit as stipulated in the Vimab Agreement.

Events after the reporting period

1. *Issue of Convertible Bonds*

On 15 April 2021, the Company entered into 2 subscription agreements with two subscribers pursuant to which the Company issued the convertible bonds with an aggregate principal amount of approximately HK\$16,826,000 and an interest rate of 6.0% per annum. The initial conversion price is HK\$0.260 per conversion share. The conversion shares will be issued under the general mandate granted by the Shareholders at the annual general meeting of the Company held on 25 September 2020 (the “**2020 General Mandate**”).

Such convertible bonds will be issued in 3 tranches. As at the date of this announcement, the first tranche subscribed by one of the subscribers with the principal amount of approximately HK\$2,050,000 was issued and was converted into 7,884,000 conversion shares in total by the subscribers at the said initial conversion price. Details of the above issue of convertible bonds and conversion of the first tranche of convertible bonds are set out in the Company’s announcements dated 15 April 2021, 29 April 2021 and 14 May 2021.

2. *Proposed issue of shares under specific mandate*

On 10 May 2021, the Company entered into 9 subscription agreements with 9 independent subscribers, pursuant to which the Company agreed to issue an aggregate of 169,472,000 new shares at the subscription price of HK\$0.295 each, with gross proceeds from the subscription to be approximately HK\$50.0 million. The transactions under the subscription agreements and the specific mandate in relation to the allotment and issuance of the new shares are approved by the Shareholders at the extraordinary general meeting of the Company held on 18 June 2021. Up to the date of this announcement, the subscription is yet to complete.

Outlook

In view of the planned commitment in the Government’s public expenditure on infrastructure will help to create new projects for the construction industry in Hong Kong, the management remains prudently optimistic about prospects of the construction market.

The environmental protection industry would anticipate for other opportunities and challenges. Despite our existing technology can strengthen the waste-treatment to be harmless and resources-utilisation, to cope with the “14th Five-Year Plan” and capture business opportunities, we are keen to further enhance our solutions to energy-savings and energy transformation.

FINANCIAL REVIEW

Results of the Group

During the Year, revenue of the Group decreased by approximately 8.8% to approximately HK\$591.5 million (FY2020: HK\$648.6 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.

Loss for the Year attributable to owners from continuing operations of the Company amounted to approximately HK\$55.0 million (FY2020: HK\$130.5 million).

Basic loss per share from continuing operations was HK8.47 cents (FY2020: HK22.78 cent).

Other income and gains, net

Other income and gains, net, increased approximately from HK\$40.83 million for FY2020 to HK\$56.82 million for the Year. In prior year, the amount was mainly generated from completion of Stand Ascent Disposal of approximately HK\$29.3 million, and gain on disposal of property, plant and equipment of approximately HK\$3.16 million. In the current Year, the amount represented gain on disposal of subsidiaries amounting to approximately HK\$27.87 million, machinery rental income of approximately HK\$7.63 million and exchange gain of approximately HK\$6.21 million.

Administrative expenses

Administrative expenses of the Group decreased by 13.99% from approximately HK\$131.37 million to HK\$112.99 million. There has been no significant change in the items, among such expenses and such decrease was due to as certain subsidiaries were disposed during the Year and since its financial results were consolidated up to relevant disposal date where a full-year expenses were included in FY2020.

Finance costs

Finance costs of the Group increased from approximately HK\$33.31 million to HK\$38.29 million for the Year. Taking out the effect of derecognition of bank and other borrowings in Vimab along with the enforcement of its shares, the Group’s borrowings only decreased slightly from approximately HK\$275.4 million at 31 March 2020 to approximately HK\$257.8 million (of which approximately HK\$134.2 million was classified under liabilities associated with assets as held for sale) at 31 March 2021. The increase in finance costs indeed was due to the refinancing of certain borrowings at higher interest rate as well as charging of interests to non-wholly owned subsidiary by the shareholders in which no such interest was imposed in prior year.

Other expenses

Other expenses decreased from HK\$53.70 million to HK\$1.45 million. In previous year, the amount of HK\$53.70 million represented impairment recognised for goodwill and service concession of Hefei Plant due to the deterioration of its recoverable amount arising from failure of technological improvement and delay in proposed price adjustment. In the current year, other expenses of the Group mainly represented the impairment recognized for goodwill of approximately HK\$1.13 million for Taiyuan Plant with reference from its recoverable amount to be received pursuant to the disposal agreement dated 8 February 2021.

Liquidity and Financial Resources

As at 31 March 2021, the Group had bank balances and cash of approximately HK\$66.7 million (as at 31 March 2020: approximately HK\$29.8 million).

The total interest-bearing loans comprising leases liabilities, bonds, bank and other borrowings of the Group as at 31 March 2021 was approximately HK\$150.9 million (as at 31 March 2020: approximately HK\$425.4 million), and current ratio for the Year was approximately 1.09 (as at 31 March 2020: approximately 0.59).

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

Included in other payables were amount due by the Company 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**”), with principal and accrued interest of US\$6.1 million (approximately HK\$47.8 million), resulting from Forest Water exercising its early redemption rights under the convertible bonds in the amount of US\$5,000,000 issued by the Company pursuant to a subscription agreement dated 3 October 2017. Such convertible bonds were classified as other payables upon the Company's shares suspended for trading for more than 30 days.

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 announcements dated 3 October 2017 and 22 October 2020.

Up to the date of this announcement, no formal settlement agreement has been reached.

Going concern basis

During the year ended 31 March 2021, the Group had a net loss of HK\$63,605,000 as at 31 March 2021. As of that date, the Group had bonds, interest-bearing bank and other borrowings totalling HK\$149,186,000, trade and retention payables, other payables and accruals and lease liabilities totalling HK\$289,360,000 included in current liabilities while the Group's cash and cash equivalents was HK\$66,686,000.

The above conditions indicate the existence of a material uncertainty that may cast significant doubt 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 directors of the Company have prepared a cash flow forecast of the Group covering a period of 18 months from the end of the reporting period (the "**Forecast Period**").

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:

- (a) In February 2021, the Group and the purchaser entered into the disposal agreement in relation to the disposal of the 100% equity interest held in the Taiyuan Tianrun Bioenergy Co., Ltd. ("**Taiyuan Plant**") at the consideration of RMB120,000,000 (equivalent to approximately HK\$141,982,000). Up to the date of approval for issue of these consolidated financial statements, a deposit of RMB20,400,000 (approximately HK\$24,138,000) was received while conditions precedent regarding (i) written approval of the disposal agreement by the Taiyuan Urban and Rural Management Bureau; and (ii) written consent for the disposal as well as its agreement to assist in the change of business registration of Taiyuan Plant from CITIC Financial Leasing Company Limited have yet been satisfied but the directors of the Company are of the view that these conditions will be satisfied with the proceeds to be received that will meet the liquidity needs of the Group;
- (b) On May 2021, the Group entered into 9 subscription agreements with each of the subscribers. Pursuant to the subscription agreements, the Company has conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for an aggregate of 169,472,000 subscription shares at the subscription price of HK\$0.295 for the gross proceeds approximately HK\$50,000,000. Such subscription is approved by the Shareholders at an extraordinary general meeting held on 18 June 2021; and

- (c) The Group obtained the facilities of HK\$50 million within the Forecast Period from an individual who holds 75% equity interest in a substantial shareholder of the Company. An amount of HK\$35 million was utilised as available working capital up to the date of approval for these consolidated financial statements.

The Directors are of the opinion that, taking into account the above-mentioned measures, 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 consolidated financial statements for the year ended 31 March 2021 on a going concern basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Taking into account the above-mentioned plans and measures, The Directors are in the views that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due.

Gearing ratio

The gearing ratio as at 31 March 2021 was approximately 150.2% (as at 31 March 2020: approximately 385.7%).

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 2021, the Group pledged certain assets including (i) property, plant and equipment with carrying values of approximately HK\$84,355,000 (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 certain proceeds from the Group's service concession arrangements, equity interests in subsidiaries of the Group.

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 and fund raising activities in the past 12 months

During the Year, the Company issued new shares and convertible bonds. As at 31 March 2021, the Company has a total of 693,590,134 issued shares (FY2020: 572,900,134 shares). Details of the aforesaid issuance are summarised below:

(i) Placing of Shares

The Company entered into a placing agreement with CNI Securities Group Limited (as placing agent) on 10 June 2020, pursuant to which the placing agent agreed to place up to 57,290,113 new ordinary Shares at the issue price of HK\$0.202 each. The placement was completed on 2 July 2020 and a total of 50,922,000 placing shares with a nominal value of HK\$5,092,200 were placed at the said issue price to not less than six independent places under the general mandate granted to the Board at the annual general meeting of the Company held on 16 August 2019 (the “**2019 General Mandate**”). The closing price per Share on 10 June 2020, being the date of the placing agreement, was HK\$0.246.

The gross proceeds from the placing was approximately HK\$10.29 million. The proceeds were intended to be applied for general capital use, and the full amount of the net proceeds were utilised as per intended as at the date of this announcement.

Details of the aforesaid placing were set out in the Company’s announcement dated 10 June 2020.

(ii) Subscription of Shares

The Company entered into 3 subscription agreements with 3 independent subscribers, namely Mr. Zhuo Jinming (a Singapore citizen and a merchant), Mr. Zheng Jian (a PRC citizen and a merchant) and Givemore Group Limited (an investment holding company incorporated in the British Virgin Islands), on 15 June 2020, pursuant to which the Company agreed to issue an aggregate of 49,768,000 new ordinary Shares at the issue price of HK\$0.221 each (among which Mr. Zhuo Jinming, Mr. Zheng Jian and Givemore Group Limited subscribed for 9,048,000 shares, 27,148,000 shares and 13,572,000 shares, respectively). The subscription was completed on 2 July 2020 and a total of 49,768,000 subscription shares with a nominal value of HK\$4,976,800

were issued at the said issue price to the subscribers under the 2019 General Mandate. The closing price per Share on 15 June 2020, being the date of the subscription agreements, was HK\$0.275.

The Directors had considered various ways of raising additional funds for strengthening the Group's financial position and future use and they consider that the subscription was an appropriate means of raising additional capital for the Company since the capital base of the Company can be broadened at a relatively low cost compared to bank borrowings or issue of debt securities, and the cash position of the Group will be improved which then can help establishing and strengthening the existing and future business of the Group. Therefore, the Company entered into the aforesaid subscription agreements.

The gross proceeds from the subscription was approximately HK\$11.00 million. The proceeds were intended to be applied for general capital use, and the full amount of the net proceeds were utilised as per intended as at the date of this announcement.

Details of the aforesaid subscription were set out in the Company's announcement dated 15 June 2020.

(iii) Issue of Convertible Bonds

The Company entered into a subscription agreement with an independent subscriber, namely Mr. Xu Hejiao (a PRC citizen and a merchant), on 14 December 2020, pursuant to which the Company agreed to issue convertible bonds with a principal amount of HK\$10,000,000 which bear an interest rate of 6% per annum to the subscriber in 3 tranches, among which the first tranche amounts to HK\$4,000,000, the second tranche amounts to HK\$3,000,000 and the third tranche amounts to HK\$3,000,000. The initial exercise price of the convertible bonds is HK\$0.200 per conversion shares, which is same as the closing price per Share on 14 December 2020, being the date of the subscription agreement. The conversion shares to be issued upon conversion of the convertible bonds would be issued under the 2020 General Mandate. The subscription of the first tranche of convertible bonds of HK\$4,000,000 was completed on in December 2020 and the subscriber had converted the same into 20,000,000 conversion shares on 30 March 2021 at the said initial exercise price. As at 31 March 2021, the second and third tranche of convertible bonds are yet to be issued. In June 2021, the third tranche of convertible bond amounts to HK\$3,000,000 was issued.

With reference to the 2020 annual report and unaudited interim results announcement dated 23 November 2020, despite the financial performance and position slightly improved for the first 6-months period ended 30 September 2020, the Directors have been considering for various ways of strengthening the Group's

financial position and resolving the claim from Forest Water by, among others, raising additional funds and liquidity by, among others, divesting part of assets. In light of the aforesaid, the Company entered into the subscription agreement.

The gross proceeds from the subscription of the first tranche of convertible bonds and the non-refundable deposit received from the subscriber was approximately HK\$4.6 million. The proceeds were intended to be applied for general capital use, and the full amount of the net proceeds were utilised as per intended as at the date of this announcement.

Details of the aforesaid issuance of convertible bonds were set out in the Company's announcement dated 14 December 2020.

(iv) Subscription of Shares

The Company entered into 3 subscription agreements with 3 independent subscribers, namely Ms. Ng Hoi Kai (a Hong Kong citizen and a merchant), Mr. Fang Guohong (a PRC citizen and a merchant) and Mr. Fang Weikang (a PRC citizen and a merchant), on 24 March 2021, pursuant to which the Company agreed to issue an aggregate of 20,000,000 new ordinary Shares at the issue price of HK\$0.200 each (among which Ms. Ng Hoi Kai, Mr. Fang Guohong and Mr. Fang Weikang subscribed for 6,000,000 shares, 6,000,000 shares and 8,000,000 shares, respectively). The subscription was completed on 12 April 2021 and a total of 20,000,000 subscription shares with a nominal value of HK\$2,000,000 were issued at the said issue price to the subscribers under the 2020 General Mandate. The closing price per Share on 24 March 2021, being the date of the subscription agreements, was HK\$0.195.

With reference to the 2020 annual report and unaudited interim results announcement dated 23 November 2020, in addition to the issue of convertible bond in December 2020 and potential disposal of a subsidiary as set out in the announcement dated 8 February 2021, the Directors have been taking various measures in the short to medium term to meet its financial needs, and the Board considers the Subscription is an appropriate means of raising additional capital for the Company since the capital base of the Company can be broadened at a relatively low cost compared to bank borrowings or issue of debt securities. Therefore, the Company entered into the aforesaid subscription agreements.

The gross proceeds from the subscription was approximately HK\$4.0 million and the net proceeds from the subscription approximately HK\$3.98 million. The net subscription price per subscription share was approximately HK\$0.199 per subscription share. The net proceeds were intended to be applied for general capital use, and the full amount of the net proceeds were utilised as per intended as at the date of this announcement.

Details of the aforesaid subscription were set out in the Company's announcement dated 24 March 2021.

Fund raising activities after the reporting period are set out in headed "Events after the reporting period".

Capital commitments

As at 31 March 2021, the Group did not have any capital commitment (as at 31 March 2020: approximately HK\$45,261,000) in relation to the projects of the Group under the ordinary course of business.

Human resources management

As at 31 March 2021, the Group had 431 employees, including Directors (as at 31 March 2020: 413 employees, including Directors). Total staff costs (including Directors' emoluments) were approximately HK\$117,005,000 for the Year as compared to approximately HK\$127,100,000 for FY2020. 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

At the beginning of the Year, the Group held approximately 8.69% of the total issued share capital of Josab Water Solutions AB ("**Josab**"), the shares of which are listed on Spotlight Stock Market, a stock exchange in Sweden. Such Josab's shares were held under Vimab and accordingly was derecognised from the Group subsequent to such enforcement of Pledged Shares in Vimab.

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 2021, the Group had outstanding performance bond for construction contracts amounting to approximately HK\$35.4 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.

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.

Final Dividend

The Board proposes not to recommend payment of a final dividend to the shareholders for FY2021 (FY2020: nil).

Audit Committee and review of the annual results

The audit committee of the Company (the “**Audit Committee**”) was established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference. The latest terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

A summary of work of the Audit Committee during the Year is as follows:

- met with the external auditors, reviewed and made recommendations for the Board’s approval on the annual and interim results and reports of the Company;
- reviewed and approved audit fee;
- recommended the re-appointment of BDO Limited (“**BDO**”) 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 FY2021:

Basis for Qualified Opinion

In previous years, 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 interest in DSE and SPM respectively) were transferred to Stand Ascent Limited (“**Stand Ascent**”), a wholly-owned subsidiary indirectly held by the Company. The Group accounted for DSE and SPM shares held by Stand Ascent as collateral to secure the payments for the deposits paid and expenses paid on behalf and loans advanced as stated above. After the transfer of shares, the Group appointed 4 out of 6 directors of DSE and 5 out of 7 directors of SPM. Thereafter, the Group has entered into a series of transactions and agreements with various parties including further payments for deposits for the potential acquisition of additional 5% equity interests in SPM and the termination of the DSE Agreements.

On 29 June 2018, the Group entered into a disposal agreement and on 15 August 2019 a supplemental deed to the disposal agreement (collectively “**the Disposal Agreement**”) to dispose of the Group’s 100% equity interest in Stand Ascent (“**the Disposal**”). Up to the

date of the Disposal, the Group have received an aggregate amount of HK\$83,764,000 from the buyer in the Disposal Agreement and its beneficial controlling shareholder (the “**Money Received**”).

On 15 August 2019, the Group also entered into a settlement agreement (the “**Settlement Agreement**”) in relation to the settlement of the consideration for the Disposal (the “**Consideration**”). According to the Settlement Agreement, the Consideration will be settled by the amount due by the Group to the purchaser and its beneficial controlling shareholder for the Money Received. The amount of Money Received in excess of the Consideration was agreed to be waived.

As at the date of the Disposal, the aggregated amount of deposits paid, expenses paid on behalf and loans advanced (“**Payments**”) of approximately HK\$70,269,000 was accounted for as receivables. The carrying amount of the Payments as at the date of disposal after netting off the impairment provision of HK\$15,854,000 was of HK\$54,415,000 and gain on the Disposal of HK\$29,349,000 was recognised in the consolidated statement of profit or loss for the year ended 31 March 2020.

The directors of the Company have not provided us with satisfactory evidence relating to the nature of the transactions giving rise to the Payments as detailed 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 (i) 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; and (ii) whether the gain on the Disposal is properly calculated. 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. Accordingly, our audit opinion on the Group’s consolidated financial statements for the year ended 31 March 2020 was modified.

Our audit opinion on the Group’s consolidated financial statements for the year ended 31 March 2021 is also modified because of the possible effects of this matter on the comparability of the related 2021 figures and 2020 figures in the consolidated financial statements for the year ended 31 March 2021.

Material Uncertainty Related to Going Concern

We draw attention to note in the consolidated financial statements, which indicates that the Group had a net loss of HK\$63,605,000. As of that date, the Group had bonds, interest-bearing bank and other borrowings totalling HK\$149,186,000, trade and retention payables, other payables and accruals and lease liabilities totalling HK\$289,360,000 included in current liabilities while the Group's cash and cash equivalents was HK\$66,686,000. As stated in the note, these conditions, along with the matters set out in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Supplementary information regarding the Qualified Opinion

The Auditor has expressed a modified opinion for corresponding figures of the consolidated profit or loss for the year ended 31 March 2020, as a result of the disposal on the receivables in respect 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 and 2019 annual reports.

As the Group completed the disposal of DSE Receivables and the SPM Receivables in prior year, other than the comparative figures, the qualified opinion was resolved entirely for FY2021 and such matter will be no longer applicable on the Group's financial statements for the current Year.

Scope of work of the Company's Auditor in Respect of this Announcement

The Audit Committee has reviewed and discussed the draft annual results for FY2021. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for FY2021 as set out in this announcement have been agreed by BDO, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO 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 BDO on this announcement.

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on 16 August 2021. 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, on or before 16 July 2021.

Closure of the Register of Members

The register of members of the Company will be closed from 11 August 2021 to 16 August 2021 (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 10 August 2021.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and that of the Company at <http://www.primeworld-china.com>. The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 25 June 2021

As at the date of this announcement, the executive Directors are Mr. Zhu Yongjun, Mr. Pan Yimin 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 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