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 2019

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 1.65% to approximately HK$502,552,000.

Gross profit increased by approximately 29.61% to approximately HK$117,138,000.

Loss attributable to owners of the Company decreased by approximately 68.84% to approximately HK$5,476,000.

Basic loss per share decreased by approximately 69.52% to approximately HK0.96 cents.

The Board did not recommend an interim dividend for the six months ended 30 September 2019.

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 2019 (the "**Period**") together with the comparative figures for the corresponding period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**502,552**	510,986
Cost of sales		**(385,414)**	(420,611)
Gross profit		**117,138**	90,375
Other income and gain, net	5	**47,348**	22,203
Reversal of expected credit loss on financial and contract assets		**472**	—
Administrative expenses		**(140,665)**	(114,370)
Other expenses		**(19,769)**	(6,002)
Finance costs	6	**(22,491)**	(15,448)
Loss before tax	7	**(17,967)**	(23,242)
Income tax	8	**6,074**	3,352
Loss for the period		**(11,893)**	(19,890)
Loss for the period attributable to:			
Owners of the Company		**(5,476)**	(17,576)
Non-controlling interests		**(6,417)**	(2,314)
		(11,893)	(19,890)
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		**(34,594)**	(50,363)
Total comprehensive income for the period		**(46,487)**	(70,253)

	Note	Six months ended 30 September **2019** *HK$'000* (Unaudited)	2018 *HK$'000* (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(37,087)**	(61,243)
Non-controlling interests		**(9,400)**	(9,010)
		(46,487)	(70,253)
		HK cents	*HK cents*
Loss per share	9		
— Basic		**(0.96)**	(3.15)
— Diluted		**(0.96)**	(3.15)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**204,813**	217,614
Goodwill		**159,543**	169,698
Operating concessions		**320,791**	346,244
Other intangible assets		**59,995**	69,389
Receivables under service concession arrangements		**309,320**	318,996
Retention receivables	11	**17,427**	33,990
Prepayments, deposits and other receivables	12	**32,518**	33,913
		1,104,407	1,189,844
Current assets			
Inventories		**39,941**	39,366
Contract assets		**25,155**	48,501
Trade and retention receivables	11	**232,160**	215,801
Receivables under service concession arrangements		**31,561**	33,188
Prepayments, deposits and other receivables	12	**126,996**	183,819
Loan receivables		**4,047**	4,255
Consideration receivables		**17,490**	37,232
Contingent consideration asset		**3,889**	3,724
Financial assets at fair value through profit or loss		**24,971**	20,732
Tax recoverable		**1,433**	1,821
Cash and cash equivalents		**57,670**	38,745
		565,313	627,184

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Current liabilities			
Contract liabilities		**35,980**	3,247
Lease liabilities		**6,337**	—
Trade and retention payables	13	**143,609**	201,602
Other payables and accruals	14	**220,129**	241,378
Due to directors		**11,799**	4,640
Interest-bearing bank and other borrowings		**119,852**	96,588
Tax payable		**6,934**	7,303
		544,640	554,758
Net current assets		**20,673**	72,426
Total assets less current liabilities		**1,125,080**	1,262,270
Non-current liabilities			
Due to a related company		**289,843**	384,643
Lease liabilities		**9,494**	—
Interest-bearing bank and other borrowings		**264,525**	256,829
Retention payables	13	**9,043**	20,977
Provision		**38,324**	31,909
Bonds	15	**25,500**	25,500
Deferred tax liabilities		**50,029**	60,003
Total non-current liabilities		**686,758**	779,861
NET ASSETS		**438,322**	482,409
EQUITY			
Equity attributable to owners of the Company			
Share capital		**57,290**	57,290
Reserves		**326,422**	361,109
		383,712	418,399
Non-controlling interests		**54,610**	64,010
TOTAL EQUITY		**438,322**	482,409

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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, environmental protection projects and industrial fluids system services.

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 2019, 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 2019.

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 2019 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, 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 2019.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases ("HKFRS 16"), the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standalone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and presented separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as property, plant and equipment in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 on statement of financial position as of 31 March 2019 to that of 1 April 2019 are as follows (increase/(decrease)):

Statement of Financial Position	At 31.3.2019 (Audited) *HK$'000*	Restatement adjustment on adoption of HKFRS 16 (Unaudited) *HK$'000*	At 1.4.2019 (Unaudited) *HK$'000*
Assets			
Property, plant and equipment	217,614	14,387	232,001
Total non-current assets	1,189,844	14,387	1,204,231
Liabilities			
Lease liabilities (current)	—	9,245	9,245
Interest-bearing bank and other borrowings (current)	96,588	(3,579)	93,009
Total current liabilities	554,758	5,666	560,424
Lease liabilities (non-current)	—	12,430	12,430
Interest-bearing bank and other borrowings (non-current)	256,829	(2,614)	254,215
Total non-current liabilities	779,861	9,816	789,677
Net assets	482,409	(1,095)	481,314
Equity			
Reserves	361,109	(1,095)	360,014

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 March 2019	19,891
Less: Commitments relating to short-term leases and those leases with a remaining lease ending on or before 31 March 2020	(2,666)
Less: Future interest expenses	(1,743)
Add: Finance lease liabilities as of 31 March 2019	6,193
Lease liabilities as at 1 April 2019	21,675

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 10.1%.

As at 30 September 2019, right-of-use assets included in property, plant and equipment, current lease liabilities and non-current lease liabilities, amounted to HK$11,544,000, HK$6,337,000 and HK$9,494,000, respectively.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right of use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicited in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

4. REVENUE AND SEGMENTAL INFORMATION

Revenue representing the revenue derived from construction works, environmental protection projects and industrial fluids system services are as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Construction works	**348,649**	342,075
Sales of construction materials	**—**	33,243
Environmental protection	**43,921**	60,909
Industrial fluids system services	**109,982**	74,759
	502,552	510,986

(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 2019 (Unaudited)

	Construction works	**Environmental protection**	**Industrial fluids system services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For the six-months ended 30 September 2019 (unaudited)				
Disaggregated by timing of revenue recognition:				
Point in time	**—**	**35,448**	**109,982**	**145,430**
Over time	**348,649**	**—**	**—**	**348,649**
Revenue from other sources	**—**	**8,473**	**—**	**8,473**
Segment revenue:				
Sales to external customers	**348,649**	**43,921**	**109,982**	**502,552**
Revenue				**502,552**
Segment results	**13,720**	**(28,153)**	**525**	**(13,908)**
Reconciliation:				
Bank interest income				**494**
Corporate and unallocated gain				**47,047**
Corporate and unallocated expenses				**(29,109)**
Finance costs				**(22,491)**
Loss before tax				**(17,967)**

For the six months ended 30 September 2018 (Unaudited)

	Construction works HK$'000	Environmental protection HK$'000	Industrial fluids system services HK$'000	Total HK$'000
For the six-months ended 30 September 2018 (unaudited)				
Disaggregated by timing of revenue recognition:				
Point in time	33,243	52,628	74,759	160,630
Over time	342,075	—	—	342,075
Revenue from other sources	—	8,281	—	8,281
Segment revenue:				
Sales to external customers	375,318	60,909	74,759	510,986
Intersegment sales	71,322	—	—	71,322
	446,640	60,909	74,759	582,308
Reconciliation:				
Elimination of intersegment sales				(71,322)
Revenue				510,986
Segment results	1,075	(28,756)	9,663	(18,018)
Reconciliation:				
Bank interest income				110
Corporate and unallocated gain				22,094
Corporate and unallocated expenses				(11,980)
Finance costs				(15,448)
Loss before tax				(23,242)

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**494**	110
Machinery rental income	**514**	835
Gain on disposal of subsidiaries	**—**	13,820
Financial guarantee service fee income	**1,318**	1,397
Government grants	**3,616**	4,856
Rental income	**152**	—
Fair value gain on contingent consideration asset	**165**	—
Fair value gain on financial assets at fair value through profit or loss	**5,433**	—
Others *(note)*	**35,656**	1,185
	47,348	22,203

Note: Included in an amount of approximately HK$32,648,000 represented the gain arising from the disposal of entire interest in Stand Ascent Limited ("**Stand Ascent Disposal**") (note 12).

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on:		
— bank loans, overdrafts and other loan	**13,383**	11,639
— convertible bond	**—**	2,361
— bonds	**831**	872
— finance leases	**596**	126
— other payables	**3,481**	—
— amount due to a related company	**4,200**	450
	22,491	15,448

7. LOSS BEFORE TAX

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax is stated after charging the following items:		
Operating lease expenses in respect of short-term leases	**3,537**	—
Rental charge under operating lease	**—**	6,113
Depreciation of property, plant and equipment	**27,313**	21,455
Depreciation of right-of-use assets	**2,666**	—
Staff costs (including directors' remuneration)		
— Salaries, wages and other benefits	**85,586**	75,870
— Mandatory provident fund contributions	**12,506**	10,149
	98,092	86,019

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises		
Hong Kong profits tax	**12**	19
Taxation in jurisdictions other than Hong Kong	**—**	(29)
	12	(10)
Deferred	**(6,086)**	(3,342)
	(6,074)	(3,352)

9. LOSS PER SHARE

The calculation of the loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$5,476,000 (for the six months ended 30 September 2018: HK$17,576,000), and the weighted average number of ordinary shares of 572,900,134 (for the six months ended 30 September 2018: 558,696,950) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$5,476,000 (for the six months ended 30 September 2018: HK$17,576,000). No adjustment has been made to the basic loss per share amount presented for the period ended 30 September 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

10. DIVIDEND

The Board did not recommend an interim dividend for the Period (for the six months ended 30 September 2018: nil).

11. TRADE AND RETENTION RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**206,736**	196,722
Impairment	**(16,521)**	(16,798)
	190,215	179,924
Retention receivables	**60,090**	70,780
Impairment	**(718)**	(913)
	249,587	249,791
Portion classified as current assets	**232,160**	215,801
Non-current portion	**17,427**	33,990

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.

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 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**105,089**	83,625
31–60 days	**40,436**	67,237
61–90 days	**3,075**	4,067
Over 90 days	**41,615**	24,995
	190,215	179,924

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepayments	**61,211**	54,106
Deposits and other receivables	**98,303**	163,626
	159,514	217,732
Current portion included in prepayments, deposits and other receivables	**126,996**	183,819
Non-current portion	**32,518**	33,913

The Stand Ascent Disposal was completed and details of which were set out in the announcements of the Company dated 6 July 2018 and 15 August 2019. The Group recognised an unaudited gain of approximately HK$32,648,000, being (i) the reverse of impairment of approximately HK$15,854,000 recognised for DSE Receivables and SPM Receivables (as defined in the said announcements) in previous years; and (ii) interest income of approximately HK$16,794,000 from Xu and Muhammed (as defined in the said announcements) under the deed of undertaking date 6 July 2019 at 8% per annum.

13. TRADE AND RETENTION PAYABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**112,263**	171,503
Retention payables	**40,389**	51,076
	152,652	222,579
Classified as current liabilities	**143,609**	201,602
Non-current portion	**9,043**	20,977

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

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

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 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**32,806**	54,023
1 to 2 months	**33,077**	56,612
2 to 3 months	**4,441**	13,317
Over 3 months	**41,939**	47,551
	112,263	171,503

14. OTHER PAYABLES AND ACCRUALS

During the year ended 31 March 2019, the convertible bonds were classified as other payables upon the Company's shares suspended for trading for more than 30 business days. As at 30 September 2019, the principal and accrued interest and related charges outstanding is approximately US$6.0 million (HK$49.1 million) (31 March 2019: US$5.6 million (HK$45.8 million)).

15. BONDS

The bonds bear interest ranged from 4% to 6.5% per annum with maturity up to 3 years, and are guaranteed by the chairman of the Board, an executive director and an indirect substantial shareholder of the Company.

The Company may, at any time before the maturity date redeem the bonds (in whole or in part) of the total principal amount of such bonds and together with payment of interests accrued up to the date of such redemption by serving at least 10 day's prior written notice to the holders of the bonds.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the correct period'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 in Hong Kong (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) Industrial Fluids System Services.

Business Review

I Construction Business

For the Period, the Group recorded a revenue from construction business amounted to approximately HK$348.7 million, maintaining its level recorded for the corresponding period of 2018 (i.e. HK$342.1 million).

The overall gross profit margin of construction business increased from approximately 6.35% for the six months ended 30 September 2018 ("**1H2018**") to 10.99% for the Period. The significant improvement was attributable to the increase in projects with higher profit margin as compared with that in 1H2018, and no unexpected increase in project costs due to delay in work progress.

Due to keen competition and deterioration in gross margin, no sales of construction materials were recorded (1H2018: HK$33.2 million).

(i) Completed project

As at 30 September 2019, the Group completed 7 projects. The details of such completed projects are as follows:

	Name of project	Location	Sector	Main category of work
1	United Christian Hospital Project	United Christian Hospital, 130 Hip Wo Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles and pipe pile walls
2	Tuen Mun Siu Hong Project	HKHA Contract No: 20160431, Shatin Area 16, Wo Sheung Tun Street, Fo Tan; and Hong Kong Housing Authority, Siu Hong Road, Tuen Mun	Foundation	Construction of Mini-piles & Ground Investigation works
3	Lamma Power Station project	Lamma Power Station	Foundation	Ground Treatment Works of Band Drain Installation and Imported General Fill for Compaction
4	TKO 85 project	Nos. 1–3, Shek Kok Road, Area 85, Tseung Kwun O, Hong Kong	Foundation	Construction of Bored Pile, Socket H-Pile, Sheet Pile, King Post, Hoarding and Tree Works
5	Ching Ho Estate project	Queen's Hill Site 1 Phases 2, 4&5 and Portion of Phase 6 and Alteration and Addition Works at Ching Ho Estate	Foundation	Construction of Socketed Steel H-Piling
6	Cheung Sha Wan project	Tonkin Street, Cheung Sha Wan	Foundation	Design & Construction for Driven H Pile Works
7	TKO IE2.0 project A*	Proposed Commercial Development of IE 2.0 Project A at TKO Industrial Estate, HK	Foundation	Construction of 11 temporary minipiles

(ii) Projects in Progress

As at 30 September 2019, the Group had 11 projects in progress with an aggregate contract value of approximately HK$775.1 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	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	Lam Tin Tunnel Project	NE/2015/01 Tseung Kwan O — Lam Tin Tunnel Main Tunnel	Foundation	Construction of Mini-piles
3	Waterloo Road project	128 Waterloo Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, Sheet Pile, Pipe Pile, King Post, ELS & Pile Cap
4	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
5	Choi Yuen Road project	Near Lai King Hill Road, Kwai Chung and Choi Yuen Road, Sheung Shui	Foundation	Construction of Socketed Steel H-Piling
6	Kai Tak (Site B) project	New Acute Hospital at Kai Tak Development Area (Site B)	Foundation	Construction of Bored Pile
7	Water treatment project*	Sheung Shui, Silver Mine Bay, Siu Ho Wan and Ma On Shan	Foundation	Construction of Mini-Piling Works

	Name of project	Location	Sector	Main category of work
8	TKO Area 85 project*	Nos 1–3 Shek Kok Road, Area 85, Tseung Kwan O, Hong Kong	Foundation	ELS Works
9	Kai Tak 6562 project*	N.K.I.L. 6562, Kai Tak, Kowloon	Foundation	Construction of Bored Pile
10	West Kowloon Palace Museum project*	West Kowloon Cultural District, West Kowloon, Tsim Sha Tsui	Foundation	Mini-piles and Grout Curtain Works
11	North District Temporary Wholesale Market project*	Fanling North New Development Area, Phase 1	Building	Reprovisioning of temporary wholesale market

* These projects were new projects 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;

(iii) industrial water treatment; and

(iv) strategic investments in environmental protection related projects.

For the Period, the Group's revenue from the Environmental Protection Business decreased by approximately 27.91% to approximately HK$43.9 million (1H2018: HK$60.9 million), which was mainly attributable to the decrease in the construction revenue in relation to the kitchen waste treatment operation. Discussion and analysis on the business performances of kitchen waste treatment, industrial water treatment and other strategic investments are set out below.

(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$36.8 million (1H2018: HK$54.4 million). The decrease was mainly attributable to the formal commencement of operations of Taiyuan Plant and Hefei Plant during the Period, while these projects were under construction in 2017.

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 and the date prior to this announcement, utilised capacity of Taiyuan Plant was about 285 tons per day and 307 tons per day, respectively.

2 Hefei Plant

Hefei Plant is 60%-owned by the Group and has commenced formal commercial operation in March 2018. It is operated under the BOT model with a permitted capacity of 200 tons per day. Hefei Plant has been undergoing a technology improvement, and its utilised capacity was therefore reduced to 100 tons per day as of 31 March 2019. As at 30 September 2019 and the date prior to this announcement, utilised capacity of Hefei Plant was about 71 tons per day and 153 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.

Hefei Plant commenced commercial operations in March 2018, but it 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

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

Loudi Plant is under the construction up to 30 September 2019 and the date of this announcement.

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.

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 reached any agreement with it. 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, Clear Industry Company Limited ("**Clear Industry**") and its main operating subsidiaries (together, the "**Clear EPC Group**") contributed revenue of approximately RMB6.3 million (equivalent to approximately HK$7.1 million) to the Group compared to approximately RMB3.3 million (equivalent to approximately HK$4.0 million) in the same period in 2018. The increase was mainly attributable to the increased number of on-going EPC projects during the Period.

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

Based on the unaudited management accounts of the Clear EPC Group (excluding the profit attributable to the business contracted by the other members of the Group to the Clear EPC Group), it is expected that the Suzhou Commitments could not be fulfilled and Qingqin together with its guarantor under the Clear Industry Acquisition should, subject to the compensation amount is ascertained after the special audit on the Suzhou Commitments pursuant to the acquisition agreement, compensate the entire consideration of approximately RMB87,975,000 (approximately to HK$100,990,000) to the Group. With reference to the latest information available, the fair value of the contingent consideration asset is approximately HK$17.4 million (approximately RMB15.7 million) (31 March 2019: HK$37.2 million (approximately RMB31.9 million)), being the aggregate market value of the consideration Shares issued by the Company and certain outstanding payable to Qingqin.

The special audit for the Suzhou Commitments, as stipulated in the Clear Industry acquisition agreement was completed subsequent to 30 September 2019 where it was ascertained that such Suzhou Commitments were not met.

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

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

(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**") in September 2018 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 also intends to engage with Beijing China Science Resources & Environmental Technology Co., Ltd* (北京中科瑞升資源環境有限公司) on a business collaboration to develop the PRC market for the Memsys Assets. The Memsys JV is yet to commence business during the Period.

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.

III Industrial fluids systems services

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

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

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

The Vimab Acquisition was completed on 31 May 2018.

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

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

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

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

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

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

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

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

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

As at the date of this announcement, PHM had lodged the Pledged Shares with the Company according to the terms of the Settlement Deed and 9,742,214 Shares out of the 21,068,571 Pledged Shares are still subject to the lock-up arrangement subject to the fulfilment of certain financial benchmark for the year ending 31 December 2019. Only 11,326,357 Pledged Shares are freely transferrable. In the event that the sale proceeds from the freely transferrable Pledged Shares be not sufficient to cover the Claims, the Company and the 12 Subscribers may further negotiate with PHM and Melinder to explore alternate settlement mechanism such as (i) amend the terms of the Settlement Deed; (ii) amend the terms of the Subscription Agreements with the subscribers; or (iii) if (i) and (ii) are not feasible, take legal actions against the relevant parties. Details of the Vimab Agreement and the Settlement Deed were set out in the Company's announcements dated 3 May 2018, 23 May 2018, 31 May 2018, 21 June 2018, 23 August 2018 and 2 October 2018.

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

During the Period, Vimab contributed revenue of approximately SEK 134.9 million (equivalent to approximately HK$110.0 million) to the Group (31 May 2018 completion of acquisition to 30 September 2018: SEK85.4 million, HK$74.8 million).

IV Strategic investments

Hydropower projects in Indonesia

Reference is made to the section headed "Management Discussion and Analysis — 4. Strategic Investment — (i) Hydropower Projects in Indonesia" in the 2018 and 2019 annual reports of the Company, wherein it has set out the detailed chronology in relation to the Group's acquisition of 49% equity interest in PT. Dempo Sumber Energi ("**DSE**") from Xu Peng ("**Xu**") in March 2016 and acquisition of 80% equity interest in PT Sumatera Pembangkit Mandiri ("**SPM**") from Xu and Muhamad Yamin Kahar ("**Yamin**", together with Xu, the "**Dominating Indonesian Parties**") in August 2016 ("**SPM Acquisition**") through its wholly-owned subsidiary, Stand Ascent Limited ("**Stand Ascent**"), together with the subsequent alterations to such acquisitions.

As disclosed in the Company's 2018 and 2019 annual reports, the Company and Fujian Jiahe Energy Company Limited* (福建佳和能源有限公司) ("**Fujian Jiahe**") and certain guarantors entered into a disposal agreement (the "**Stand Ascent Disposal Agreement**"), pursuant to which Fujian Jiahe agreed to purchase 100%

equity interest in Stand Ascent at the consideration ranging from approximately US$5.32 million to approximately US$7.73 million, comprising (i) the value of 49% equity interest in DSE Company of US$2.205 million and; (ii) the value of 85% equity interest in SPM Company of US$3.12 million to US$5.53 million, which shall be determined by the electricity unit price to be offered by PT Perusahaan Listrik Negara (Persero) ("**PLN**") to SPM under the SPM-PPA (the "**Stand Ascent Disposal**").

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

On 15 August 2019, the parties to the Stand Ascent Disposal Agreement entered into a second supplemental deed (the "**Second Supplemental Deed**"), pursuant to which the parties agreed that with effect from the date of the Second Supplemental Deed:

(a) the SPM-PPAs condition shall be waived by Fujian Jiahe, and accordingly all conditions precedent under the Stand Ascent Disposal Agreement are fulfilled or waived and the parties shall proceed to completion of the Stand Ascent Disposal Agreement; and

(b) the consideration of 85% equity interest in SPM Company ranging from approximately US$3.12 million to US$5.53 million shall be amended as follows:

    (i) the initial consideration of the 85% equity interest in SPM Company shall be US$4,324,800 (the "**Initial SPM Consideration**"), which was determined in accordance with the Stand Ascent Disposal Agreement assuming the tariff at US8.3 cents pWh (the "**Expected Tariff**"), being the expected tariff to be offered by PLN to SPM Company the SPM-PPAs if the same were entered as per contemplated under the Stand Ascent Disposal Agreement;

    (ii) In the event SPM Company enters into the SPM-PPAs with PLN on or before 31 October 2019, and the tariff offered by PLN thereunder (the "**Actual Tariff**") is different from the Expected Tariff, the consideration of the 85% equity interest in SPM Company shall be adjusted pursuant to the Disposal Agreement at such Actual Tariff accordingly, and the relevant party shall pay the difference between the adjusted consideration and the Initial SPM Consideration to the other party within 5 days from the date of the SPM-PPAs (or such other date as agreed by Fujian Jiahe and Progressive Merit in writing); and

(iii) In the event SPM Company does not enter into the SPM-PPAs with PLN on or before 31 October 2019, or the Actual Tariff is lower than US7.9 cents pWh; Mr. Zhu Yongjun (the Chairman and Executive Director of the Company), Xu and Yamin shall undertake to indemnify Fujian Jiahe of any loss and expenses arising therefrom.

The Company and Progressive Merit shall have no obligations or liabilities to the other parties to the Stand Ascent Disposal Agreement (as supplemented by the Second Supplemental Deed)

Completion of the Stand Ascent Disposal Agreement shall take place in accordance with the provisions thereunder irrespective SPM Company and PLN will enter into the SPM-PPAs, ultimately and irrespective of the amount of the Actual Tariff if the SPM-PPAs, are entered into.

Pursuant to the deed of undertaking executed by Mr. Xu and Mr. Muhammad on 6 July 2018, both of them undertook to let the Company have the first priority to receive the proceeds from the disposal of their interests in DSE Company, SPM Company, or other Indonesian companies which also engage in hydropower plant operations, so as to make up the any possible shortfall of the from the Disposal Agreement and to pay interest at 10% per annum DSE Receivables, SPM Receivables and advances to Mr. Xu and Mr. Muhammad since the relevant inception dates. On 15 August 2019, the Company, Mr. Xu and Mr. Muhammed agreed to reduce the interest rate to 8% per annum, and the estimate aggregated interest since relevant inception dates up to 11 August 2019 would be reduced from approximately HK$20.9 million to HK$16.8 million.

The Stand Ascent Disposal was completed and the Group recognised an unaudited gain of approximately HK$32.6 million, being (i) the reverse of impairment of approximately HK$15.9 million recognised for DSE Receivables and SPM Receivables in previous years; and (ii) interest income of approximately HK$16.8 million from Xu and Muhammed under the deed of undertaking date 6 July 2019 at 8% per annum.

SPM-PPAs were yet to be entered up to 31 October 2019 and the date of this announcement.

Details of which are set out on the Company's announcement dated 15 August 2019.

Business update after the Period

There has been no significant event after the Period.

Outlook

Although recent political issues in Hong Kong have posted additional uncertainty to the economy, we are positive about the prospects of the Hong Kong construction market, in view of the Government's policies to launch large scale infrastructure projects and to increase land supply to the public and the private sectors as stipulated in the Government's 2018–2019 Budget.

Starting from 1 July 2019, Shanghai implemented the Shanghai Administrative Regulation on Household Waste Sorting stipulating that residents are required by law to sort domestic waste. Other major cities in the PRC including Beijing, Chongqing etc., are in the process of evaluating and establishing similar rulings following such Shanghai's domestic waste-sorting policies, where such measures should bring momentous opportunity to the PRC kitchen waste treatment industry.

In relation to the Industrial Fluids Systems service business, the Group are in negotiation with various partners in China for exploring certain cross-border business opportunities with an aim to bring our intensive expertise in the valve services to China.

FINANCIAL REVIEW

Results of the Group

During the Period, revenue of the Group decreased by approximately 1.65% to approximately HK$502.6 million (30 September 2018: HK$511.0 million), which was due to the decrease in Construction Business and offset by the increase in the Environmental Protection Business and business of Industrial Fluid Services. 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 Period attributable to owners of the Company amounted to approximately HK$5.5 million (2018: HK$17.6 million).

Loss per share was HK0.96 cents (2018: HK3.15 cent).

Other income and gains

Other income and gains, net, increased from approximately HK$22.2 million to HK$47.5 million. In prior period, the amount mainly represented the gain on disposal of Memsys and government grant. During the Period, other income and gains was mainly generated from the reverse of impairment of other receivables and interest income on other receivables amounting to HK$15.9 million and HK$16.8 million respectively, resulting from the completion of the Stand Ascent Disposal.

Administrative expenses

Administrative expenses of the Group increased by approximately 22.73% from approximately HK$114.4 million for six months ended 30 September 2018 to approximately HK$140.4 million for the Period, representing approximately 27.93% and 22.39% of the Group's revenue for the 2019 and 2018 reporting periods, respectively. The increase in administrative expenses was mainly resulted from the share option expenses of approximately HK$3.5 million and additional amortisation and depreciation of approximately HK$9 million arising from the purchase price allocation for acquisition of Vimab, in which these expenses were not recorded in prior period.

In addition, the expenses arising from Vimab were consolidated for 4-month (since acquisition to 30 September 2018) in same period in 2018 while a full 6-month were recorded in current Period.

Other expenses

Other expenses increased from HK$6.0 million to HK$19.8 million. In prior period, the amount included: (i) an one-off expense for legal and professional fee of approximately HK$1.6 million for the resumption of trading; and (ii) change in fair value in respect of Suzhou Commitments of approximately HK$4.4 million. In the Period, the amount mainly represented the change in fair value of in respect of Suzhou Commitments of approximately HK$19.8 million.

Finance costs

Finance costs of the Group increased by approximately 46.10% from approximately HK$15.4 million for the six months ended 30 September 2018 to approximately HK$22.5 million for the Period, primarily due to increase in interest expenses resulting from increase in overall borrowings of the Group.

Liquidity and financial resources

As at 30 September 2019, the total assets of the Group decreased by approximately 8.11% to approximately HK$1,669.7 million from approximately HK$1,817.0 million as of 31 March 2019. As at 30 September 2019, the Group had bank balances and cash of approximately HK$57.7 million (as at 31 March 2019: approximately HK$38.8 million).

The total interest-bearing loans comprising finance leases, bank and other borrowings, other payable and bonds of the Group as at 30 September 2019 was approximately HK$448.9 million (31 March 2019: approximately HK$417.9 million), and current ratio for the Period was approximately 1.04 (31 March 2019: approximately 1.13).

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

During the year ended 31 March 2019, the convertible bonds issued 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") under a subscription agreement dated 3 October 2017 classified as other payables upon the Company's shares suspended for trading for more than 30 business days. As at 30 September 2019, the principal and accrued interest outstanding under such convertible bonds is approximately US$6.0 million (HK$49.1 million).

The Company has been negotiating with Forest Water for settlement arrangement about the repayment for outstanding principal and interests, and no formal agreement has been reached up to the date of this announcement.

Gearing ratio

The gearing ratio as at 30 September 2019 was approximately 116.99% (as at 31 March 2019: approximately 99.88%).

The increase in gearing ratio was mainly attributable to the increase 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 2019, the Group pledged property, plant and equipment with carrying values of approximately HK$3,757,000 (31 March 2019: approximately HK$20,261,000), as collateral to secure the facilities granted to the Group.

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

Foreign exchange exposure

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

Capital structure

There had been no change in capital structure of the Company during the Period. The capital of the Company comprised ordinary shares and capital reserves. The Group financed its working capital requirements through a combination of funds generated from operations, bank and other borrowings.

Capital commitments

As at 30 September 2019, the Group had capital commitment of approximately HK$43.6 million (as at 31 March 2019: approximately HK$48.6 million).

Human resources management

As at 30 September 2019, the Group had 613 employees, including Directors (as at 31 March 2019: 682 employees, including Directors). Total staff costs (including Directors' emoluments) were approximately HK$98.1 million for the Period as compared to approximately HK$86.0 million for the six months ended 30 September 2018. Remuneration was determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

As at 30 September 2019, the Group held approximately 9.10% of the total issued share capital of Josab Water Solutions AB, the shares of which are listed on Spotlight Stock Market, a stock exchange in Sweden.

Save as disclosed above and except for investment in subsidiaries, during the Period, 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 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 2019, the Group had an outstanding performance bond for construction contracts amounted to approximately HK$47.0 million (as at 31 March 2019: approximately HK$76.0 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 2018: 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
Cai Jianwen
Executive Director

Hong Kong, 22 November 2019

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

* *For identification purpose only*