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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)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

UNAUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of New Concepts Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 (the “**Year**” or “**FY2020**”), together with the comparative figures for the year ended 31 March 2019 (“**FY2019**”). For the reasons explained in the paragraph headed “Audit Committee and review of unaudited results” in this announcement, the auditing process for the annual results of the Group for FY2020 has not been completed as at the date of this announcement, but the unaudited annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	837,168	1,021,729
Cost of sales		<u>(652,454)</u>	<u>(815,859)</u>
Gross profit		184,714	205,870
Other income and gains, net	4	43,833	44,152
Administrative expenses		(289,137)	(275,297)
Expected credit loss on financial and contract assets		(37,914)	(7,851)
Other expenses, net		(193,752)	(19,672)
Finance costs	5	<u>(46,803)</u>	<u>(62,375)</u>
LOSS BEFORE TAX	6	(339,059)	(115,173)
Income tax credit	7	<u>26,605</u>	<u>15,875</u>
LOSS FOR THE YEAR		<u>(312,454)</u>	<u>(99,298)</u>
Attributable to:			
Owners of the Company		(295,679)	(92,663)
Non-controlling interests		<u>(16,775)</u>	<u>(6,635)</u>
		<u>(312,454)</u>	<u>(99,298)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(51.61) cents</u>	<u>HK(16.38) cents</u>
Diluted		<u>HK(51.61) cents</u>	<u>HK(16.38) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	(312,454)	(99,298)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(21,081)	(45,403)
Recycle of exchange differences upon disposal of foreign operations	<u>—</u>	<u>(577)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(21,081)</u>	<u>(45,980)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(333,535)</u>	<u>(145,278)</u>
Attributable to:		
Owners of the Company	(313,446)	(133,642)
Non-controlling interests	<u>(20,089)</u>	<u>(11,636)</u>
	<u>(333,535)</u>	<u>(145,278)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		181,691	217,614
Goodwill		22,563	169,698
Operating concessions		260,472	346,244
Other intangible assets		51,785	69,389
Receivables under service concession arrangements		314,752	318,996
Prepayments, deposits and other receivables		42,307	33,913
Retention receivables	<i>9</i>	19,733	33,990
		<hr/>	<hr/>
Total non-current assets		893,303	1,189,844
CURRENT ASSETS			
Inventories		40,612	39,366
Contract assets		7,283	48,501
Trade and retention receivables	<i>9</i>	171,679	215,801
Receivables under service concession arrangements		32,112	33,188
Prepayments, deposits and other receivables		95,462	183,819
Loan receivables		2,908	4,255
Consideration receivables		17,607	37,232
Contingent consideration asset		—	3,724
Financial assets at fair value through profit or loss		10,804	20,732
Tax recoverable		513	1,821
Cash and cash equivalents		29,817	38,745
		<hr/>	<hr/>
Total current assets		408,797	627,184
CURRENT LIABILITIES			
Contract liabilities		4,854	3,247
Trade and retention payables	<i>10</i>	166,990	201,602
Other payables and accruals		222,039	225,849
Lease liabilities		5,660	—
Due to directors		9,296	4,640
Interest-bearing bank and other borrowings		254,033	96,588
Tax payables		7,877	7,303
		<hr/>	<hr/>
Total current liabilities		670,749	539,229

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CURRENT (LIABILITIES)/ASSETS		(261,952)	87,955
TOTAL ASSETS LESS CURRENT LIABILITIES		631,351	1,277,799
NON-CURRENT LIABILITIES			
Due to a related company		217,345	384,643
Interest-bearing bank and other borrowings		134,663	256,829
Retention payables	<i>10</i>	7,673	20,977
Other payables		13,998	15,529
Provision		45,712	31,909
Lease liabilities		5,587	—
Bonds		25,500	25,500
Deferred tax liabilities		26,648	60,003
Total non-current liabilities		477,126	795,390
Net assets		154,225	482,409
EQUITY			
Equity attributable to owners of the Company			
Share capital		57,290	57,290
Reserves		53,014	361,109
		110,304	418,399
Non-controlling interests		43,921	64,010
Total equity		154,225	482,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

New Concepts Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is Office B, 3/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong.

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

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

2 BASIS OF PREPARATION

The 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. 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 Group has adopted all of the new and revised HKFRSs which are relevant to its operations and effective for accounting periods beginning on or after 1 April 2019. A summary of the significant accounting policies adopted by the Group is set out in the Notes to the Consolidated Financial Statements (the “**Notes**”) section of the 2020 annual report to be sent to the Shareholders in due course.

Except for HKFRS 16 “Leases”, the adoption of these new and revised HKFRSs does not have significant impact on the accounting policies of the Group, and the amounts reported for the current Year and prior years.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction works	535,032	706,442
Sales of construction materials	—	58,406
Environmental protection — operational income	96,786	84,194
Industrial fluids system services	188,552	156,106
	<hr/>	<hr/>
Subtotal	820,370	1,005,148
Revenue from other sources		
Environmental protection — Financial income	16,798	16,581
	<hr/>	<hr/>
	837,168	1,021,729
	<hr/>	<hr/>
Timing of revenue recognition		
Goods or services transferred at a point in time	285,338	298,706
Service transferred over time	535,032	706,442
	<hr/>	<hr/>
	820,370	1,005,148
	<hr/>	<hr/>
Other income		
Bank interest income	504	262
Gain in connection with potential acquisitions of an Indonesia business	29,349	—
Financial guarantee service fee income	2,633	2,704
Machinery rental income	683	3,583
Rental income	475	133
Government grants	4,637	10,331
Others	1,974	4,684
	<hr/>	<hr/>
	40,255	21,697
	<hr/>	<hr/>
Gains, net		
Gain on disposal of property, plant and equipment	3,578	1,335
Gain on disposal of subsidiaries	—	21,120
	<hr/>	<hr/>
	3,578	22,455
	<hr/>	<hr/>
	43,833	44,152
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(a) Segment revenue and results

Sales of construction materials segment engaged in the trading of construction materials in Hong Kong, of which the revenue from such operation is insignificant during the year ended 31 March 2020.

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

	Construction works <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Industrial fluids system services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020				
Disaggregated by timing of revenue recognition:				
Point in time	—	96,786	188,552	285,338
Over time	535,032	—	—	535,032
Revenue from other sources	—	16,798	—	16,798
	<u>535,032</u>	<u>113,584</u>	<u>188,552</u>	<u>837,168</u>
Revenue and sales to external customers	<u>535,032</u>	<u>113,584</u>	<u>188,552</u>	<u>837,168</u>
Revenue				<u><u>837,168</u></u>
Segment results	(13,661)	(100,724)	(166,938)	(281,323)
<i>Reconciliation:</i>				
Interest income				504
Corporate and unallocated income and gains				2,449
Corporate and unallocated expenses				(13,886)
Finance costs				<u>(46,803)</u>
Loss before tax				<u><u>(339,059)</u></u>

	Construction works <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Industrial fluids system services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2019					
Disaggregated by timing of revenue recognition:					
Point in time	—	58,406	84,194	156,106	298,706
Over time	706,442	—	—	—	706,442
Revenue from other sources	—	—	16,581	—	16,581
	<u>706,442</u>	<u>58,406</u>	<u>100,775</u>	<u>156,106</u>	<u>1,021,729</u>
Sales to external customers	706,442	58,406	100,775	156,106	1,021,729
Intersegment sales	—	86,628	—	—	86,628
	<u>706,442</u>	<u>145,034</u>	<u>100,775</u>	<u>156,106</u>	<u>1,108,357</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(86,628)</u>
Revenue					<u><u>1,021,729</u></u>
Segment results	9,705	1,031	(41,949)	(3,721)	(34,934)
<i>Reconciliation:</i>					
Interest income					262
Fair value loss on derivative financial instruments					(10,357)
Corporate and unallocated income and gains					4,241
Corporate and unallocated expenses					(12,010)
Finance costs					<u>(62,375)</u>
Loss before tax					<u><u>(115,173)</u></u>

(b) Segment assets and liabilities

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

	Construction works <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Industrial fluids system services <i>HK\$'000</i>	Total <i>HK\$'000</i>	
As at 31 March 2020					
Segment assets	278,273	822,698	171,312	1,272,283	
<i>Reconciliation:</i>					
Corporate and unallocated assets				<u>29,817</u>	
Total assets				<u><u>1,302,100</u></u>	
Segment liabilities	429,696	449,131	156,523	1,035,350	
<i>Reconciliation:</i>					
Corporate and unallocated liabilities				<u>112,525</u>	
Total liabilities				<u><u>1,147,875</u></u>	
	Construction works <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Industrial fluids system services <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2019					
Segment assets	399,236	8,718	1,011,657	358,672	1,778,283
<i>Reconciliation:</i>					
Corporate and unallocated assets					<u>38,745</u>
Total assets					<u><u>1,817,028</u></u>
Segment liabilities	674,600	250	356,931	164,219	1,196,000
<i>Reconciliation:</i>					
Corporate and unallocated liabilities					<u>138,619</u>
Total liabilities					<u><u>1,334,619</u></u>

(c) **Information about major customers**

Included in revenue from external customers represented sales to a customer amounting to approximately HK\$83,764,000 (2019: HK\$124,493,000) contributed over 10% to the total revenue of the Group.

(d) **Geographical information**

(a) *Revenue from external customers*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	535,032	764,848
Mainland China	113,584	98,588
Sweden	188,552	156,106
Other countries/regions	—	2,187
	<u>837,168</u>	<u>1,021,729</u>

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

(b) *Non-current assets*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	119,454	145,091
Mainland China	300,112	390,426
Sweden	96,945	241,632
Other countries/regions	—	25,796
	<u>516,511</u>	<u>802,945</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on amount due to a related company	7,702	10,642
Interest on bank loans, overdrafts and other loans	28,436	28,414
Interest on convertible bond	—	16,183
Interest element on lease liabilities	1,038	—
Interest on finance leases	—	362
Interest on bonds	1,661	1,805
Interest on other payables	7,966	4,969
	<u>46,803</u>	<u>62,375</u>

6. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	33,433	63,915
Cost of construction works	482,743	662,288
Cost of engineering, procurement and construction services rendered	32,952	18,922
Cost of kitchen waste treatment services rendered	52,506	40,380
Cost of industrial fluids system	50,820	30,354
Auditor's remuneration	2,200	2,500
Depreciation		
— Owned property, plant and equipment	39,952	43,161
— Right-of-use-assets included within (<i>note</i>)		
— Office premises	4,114	—
— motor vehicles	406	—
Amortisation of operating concessions	16,430	12,939
Amortisation of other intangible assets	11,804	11,001
Fair value loss/(gain) on financial assets at FVTPL	9,928	(1,991)
Minimum lease payments under operating leases	—	7,848
Foreign exchange differences, net	511	10,527
	<hr/>	<hr/>
Employee benefit expense (excluding directors' remuneration):		
Wages, salaries, bonuses, allowances and benefits in kind	163,728	114,846
Equity-settled share option expense	3,623	6,904
Pension scheme contributions (defined contribution schemes)	12,607	7,568
	<hr/>	<hr/>
	179,958	129,318
	<hr/>	<hr/>
Impairment of property, plant and equipment*	678	—
Impairment of goodwill*	139,898	—
Impairment of operating concessions*	52,399	—
Impairment of other intangible assets*	777	—
Fair value change on the derivative financial instruments*	—	10,302
Legal and professional fee for resumption of trading*	—	9,370
	<hr/> <hr/>	<hr/> <hr/>

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 April 2019, the group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.

* These balances are included in other expenses, net in the consolidated statement of profit or loss.

7. INCOME TAX CREDIT

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	—
Overprovision in prior years	—	(1,831)
Current — PRC		
Charge for the year	—	—
Overprovision in prior years	—	(234)
Current — Overseas		
Charge for the year	—	956
Underprovision in prior years	1,870	—
Deferred	<u>(28,475)</u>	<u>(14,766)</u>
Total tax credit for the year	<u>(26,605)</u>	<u>(15,875)</u>

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

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$295,679,000 (2019: HK\$92,663,000), and the weighted average number of ordinary shares of 572,900,134 (2019: 565,661,770) in issue during the year.

Diluted loss per share for the year ended 31 March 2020 and 2019 is the same as the basic loss per share as the impact of the outstanding share options (2019: share options and convertible notes) of the Company, where applicable, had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2020 and 2019.

9. TRADE AND RETENTION RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	167,177	196,722
Impairment	<u>(25,136)</u>	<u>(16,798)</u>
	<u>142,041</u>	<u>179,924</u>
Retention receivables	52,282	70,780
Impairment	<u>(2,911)</u>	<u>(913)</u>
	<u>49,371</u>	<u>69,867</u>
	<u>191,412</u>	<u>249,791</u>
Portion classified as current assets	<u>171,679</u>	<u>215,801</u>
Non-current portion	<u>19,733</u>	<u>33,990</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 one to two 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	61,168	83,625
31 to 60 days	30,012	67,237
61 to 90 days	8,940	4,067
Over 90 days	<u>41,921</u>	<u>24,995</u>
	<u>142,041</u>	<u>179,924</u>

10. TRADE AND RETENTION PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	138,397	171,503
Retention payables	<u>36,266</u>	<u>51,076</u>
	<u>174,663</u>	<u>222,579</u>
Classified as current liabilities	<u>166,990</u>	<u>201,602</u>
Non-current portion	<u>7,673</u>	<u>20,977</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 one to two 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 one to two 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	37,444	54,023
31–60 days	27,038	56,612
61–90 days	15,361	13,317
Over 90 days	<u>58,554</u>	<u>47,551</u>
	<u>138,397</u>	<u>171,503</u>

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) industrial fluids system services (the “**Industrial Fluids Business**”). In the current Year, the impact of outbreak of the COVID-19 is set out in each of our business segments below.

BUSINESS REVIEW

I Construction Business

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

Sales of construction materials segment engaged in the trading of construction materials in Hong Kong, of which the revenue from such operation is insignificant during the year ended 31 March 2020.

During the Year, revenue generated from construction segment was approximately HK\$535.0 million, representing a decrease of 30.0% from approximately HK\$764.8 million for FY2019. The decrease was mainly attributable to the decrease of the number of sizable projects undertaken by the Group during the reporting period.

The overall gross profit margin of the construction business decreased to approximately 6.9% (FY2019: 10.4%). The significant decrease was attributable to (i) social events and blockage of traffic in substantial areas in Hong Kong from time to time during the Year and also the impact of COVID-19 during the first quarter of 2020, causing reduction of allowable working hours and disruption of delivery of resources, leading to the increase in overall operating costs of our construction business; and (ii) certain projects with lower gross profit margin were undertaken during the Year as a result of increased competition in the market.

Revenue from this segment is generated from both public and private sector projects with approximately 87.5% of the segment revenue contributed by the foundation projects in private sectors. Out of the total segment revenue of HK\$535.0 million, the key contributors were (i) a foundation project in Tseung Kwan O contributing approximately HK\$83.8 million during the Year; and (ii) a foundation project in Yuen Long contributing approximately HK\$77.4 million during the Year.

The Group has completed a total of 12 projects in FY2020 (FY2019: 11 projects) and secured 11 new projects (2019: 19 new projects) during the Year with aggregated contract value of approximately HK\$695.8 million similar to FY2019 (FY2019: approximately HK\$548.8 million). All new projects secured during the Year had commenced construction, and 3 out of 11 new projects was completed

during the Year. As at 31 March 2020, 11 projects were in progress (FY2019: 12 projects in progress). Details of the completed projects and the projects in progress are set out as follows:

Completed projects

Name of project	Location	Sector	Main category of work
1. Tuen Mun Siu Hong Project	HKHA Contract No: 20160431, Shatin Area 16, Wo Sheung Tun Street, Fo Tan; and Housing Authority, Siu Hong Road, Tuen Mun	Foundation	Construction of Mini-piles & Ground Investigation works
2. Lam Tin Tunnel Project	NE/2015/01 Tseung Kwan O — Lam Tin Tunnel Main Tunnel	Foundation	Construction of Mini-piles
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. Waterloo Road project	128 Waterloo Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, Sheet Pile, Pipe Pile, King Post, ELS & Pile Cap
7. Choi Yuen Road project	Near Lai King Hill Road, Kwai Chung and Choi Yuen Road, Sheung Shui	Foundation	Construction of Socketed steel H-Piling
8. TKO IE2.0 project A*	Proposed Commercial Development of IE 2.0 Project A at TKO Industrial Estate, HK	Foundation	Construction of 11 nos. of temporary Mini-piles
9. TKO Area 85 project*	Nos 1–3 Shek Kok Road, Area 85, Tseung Kwan O, Hong Kong	Foundation	ELS Works
10. Kai Tak 6562 project*	N.K.I.L. 6562, Kai Tak, Kowloon	Foundation	Construction of Bored Pile
11. United Christian Hospital Project	United Christian Hospital, 130 Hip Wo Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles and pipe pile walls
12. Cheung Sha Wan Project	Tonkin Street, Cheung Sha Wan	Foundation	Design and Construction for Driven H-Pile Works

* These projects were secured by the Company during the Year

Projects in Progress

	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	New Acute Hospital and 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.	West Kowloon Palace Museum project*	West Kowloon Cultural District, West Kowloon, Tsim Sha Tsui	Foundation	Mini-piles and Grout Curtain Works
6.	North District Temporary Wholesale Market project*	Fanling North New Development Area, Phase 1	Building	Reprovisioning of temporary wholesale market
7.	HKBU project*	Hong Kong Baptist University, 30 Renfrew Road, Kowloon, Hong Kong	Foundation	Construction of Bored Pile, ELS and Pile Cap Works
8.	Hung To Road project*	32 Hung To Road, Kwun Tong, Kowloon	Foundation	Construction of Bored Pile
9.	Kwun Tong project*	Kwun Tong Preliminary Treatment Works, 1 Wing Yip Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles
10.	Kwai Chung, Lam Tin Street project*	Nos 2-16 Lam Tin Street, Kwai Chung, HK	Foundation	Construction of Foundation, ELS and Pile Cap Works
11.	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

* These projects were secured by the Company during the Year

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**”);
- (iii) industrial water treatment; and
- (iv) strategic investments in environmental protection related projects.

For the Year, the Group’s revenue from the Environmental Protection Business increased by approximately 12.7% to approximately HK\$113.6 million (FY2019: approximately HK\$100.8 million), which was mainly attributable to the increase in the revenue from provision of EPC operation. Discussion and analysis on the business performances of kitchen waste treatment, provision of EPC operation, industrial water treatment and other strategic investments 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\$66.8 million (FY2019: HK\$90.1 million), which was mainly attributable to decrease in the construction revenue of Taiyuan Plant and Hefei Plant, in which the construction of such plants were mostly completed and commenced operations in previous years.

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 December 2019, average capacity of Taiyuan Plant was about 298 tons per day. However, the outbreak of COVID-19 and the quarantine arrangements drove to the city lockdown, shut-down of restaurants and schools, and thus the volume of kitchen wastes treatment drop to average of 14 tons per day in February 2020 and 48 tons per day in March 2020.

At as the date prior to this announcement, capacity of Taiyuan Plant was gradually up to 187 tons per day.

Due to the postpone of the People's Congress and affect the local government's fiscal budget, collection of kitchen waste treatment fee was not resumed until the date of this announcement.

(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 the COVID-19, its capacity dropped from an average of 159 ton per day in December 2019 to 11 ton per day in February 2020, and 34 ton per day in March 2020. As at the date prior to the date of this announcement, utilised capacity of Hefei Plant was about 202 tons per tons per day.

In addition to the COVID-19, Hefei Plant has been undergoing technological improvement since the first quarter of 2019, but the output is yet to meet the anticipated performance and outcome. The failure in technological improvement not only resulted in the delay in proposed price adjustment on the kitchen waste treatment fee, but also affected the volume and quality of other by-products output including organic fertilizers, biogas etc., and deteriorated the estimated recoverable amounts

of the Hefei Plant, and therefore, impairment losses of approximately HK\$1,304,000 and HK\$52,399,000 were recognised for goodwill and operating concession related to Hefei Plant.

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.

Given Hefei Plant is still not operating in normal capacity given the technological improvement is still 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.

(iii) Loudi Plant

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

Loudi Plant has a permitted capacity of 120 tons per day under the BOT model. Loudi Plant is under the construction as at the date of this announcement.

(iv) Hanzhong Plant

In June 2017, the Group set up a joint venture company, namely Hanzhong Fancy Ascent Biological Technology Co. Ltd# (漢中市宜昇生物科技有限公司) (“**Hanzhong JV**”) with Hanzhong Urban Construction Investment Development Co., Ltd.# (漢中市城市建設投資開發有限公司) (“**Hanzhong UCID**”), a company established by the Hanzhong municipality

government. Hanzhong JV was set up for the purpose of constructing a kitchen waste plant in Hanzhong with a total capacity of 300 tons per day, of which phase-one has a capacity of 150 tons per day (i.e. Hanzhong Plant). During the Year, construction of Hanzhong Plant is pending completion of the pre-feasibility and market studies by the relevant government authorities as proposed in 2018. The Group has been facilitating for the establishment for certain regulatory measures over the relevant kitchen waste treatment at the People's Congress of Hanzhong, with an aim to formulate the kitchen waste treatment administration and liaison among the governmental departments in the area.

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

(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 has yet to reached any agreement with it. During the Year, the Group obtained several reminders from the Hancheng Federation of Supply and Marketing Cooperatives urging for resumption of construction of Hancheng Plant, while on the other hand the Hancheng Municipal Ministry of Natural Resources issued an administrative penalty notice alleging Hancheng Plant occupied certain collective land. According to such notice, the ministry proposed penalties which require: (i) returning such occupied collective land; (ii) confiscate any building and facilities on such occupied collective land; and (iii) payment of penalty of approximately RMB260,000. The Group submitted its explanation to a hearing of the ministry, and the construction of Hancheng Plant has been pending during the Year until the above matters are resolved.

2. Provision of Environmental Improvement Solutions

During the Year, Clear Industry Company Limited (“**Clear Industry**” together with its subsidiary (the “**Clear Industry EPC Group**”), a 51%-owned subsidiary of the Company, contributed revenue of approximately RMB41.5 million (equivalent to approximately HK\$46.8 million) to the Group, as compared to approximately RMB7.3 million (equivalent to approximately HK\$8.5 million) in FY2019. The increase was mainly attributable to the increased number of on-going EPC projects during the Year.

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

The special audit for the Suzhou Commitments, as stipulated in the acquisition agreement of the Clear Industry Acquisition was completed where it was ascertained that such Suzhou Commitments were not met. With reference to the latest information available, the fair value of consideration receivable is approximately HK\$13.9 million (approximately RMB12.7 million) (2019: contingent consideration asset of approximately HK\$37.2 million (approximately RMB32.1 million)), being the market value of the consideration Shares issued by the Company under the Clear Industry Acquisition and certain outstanding payable to Qingqin.

Further information on the compensation of the Suzhou Commitments is set out in the section headed “Events after the reporting period” below.

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**”) in September 2018 which is owned as to 50% by the Group and 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 has not commenced business during the Year.

Further information on the update of the Memsys JV is set out in the section headed “Events after the reporting period” below.

(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 disc tube reverse osmosis systems for concentrated water possessed by TDR. Having considered the possible technological cooperation between the Group and TDR, the current TDR owners agreed in principle to allow the Group to take a participation in the equity in TDR at the consideration calculated on the basis of not more than RMB800 million (equivalent to approximately HK\$875.6 million) for 100% of TDR. In such case, the Group may acquire a maximum of 3.25% at a consideration of RMB26.0 million (equivalent to approximately HK\$28.5 million), which will be satisfied by the TDR deposit paid by the Group to the previous TDR owner pursuant to a framework agreement entered into between the previous TDR owner and the Group in April 2017.

4. *Strategic investments*

(i) *Hydropower projects in Indonesia*

Reference is made to the section headed “Management Discussion and Analysis — 4. Strategic Investment — (i) Hydropower Projects in Indonesia” in the 2018 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, among others, signing of the SPM-PPA, 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.

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.

SPM-PPAs were yet to be entered up to 31 March 2020 and the date of this announcement.

The Stand Ascent Disposal was completed and the Group recognised an gain of approximately HK\$29.3 million, being (i) the reverse of impairment previously recognised for DSE Receivables and SPM Receivables; and (ii) interest income from Xu and Muhammed under the deed of undertaking date 6 July 2019 at 8% per annum.

III Industrial Fluids Systems Service

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

Vimab is a company incorporated in Sweden and, together with its operating subsidiaries (the “**Vimab Group**”), is engaged in provision of on-site industrial fluids service including valve services and maintenance, tank cleaning and other equipment services. The Vimab Acquisition was completed on 31 May 2018.

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

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

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

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

Pursuant to such Settlement Deed, PHM and Melinder agreed to settle the Claims with the proceeds of the 21,068,571 Shares owned by PHM and pledged to the Company (the “**Pledged Shares**”) on or before the Final Settlement Date (i.e. 14 June 2019, being 4 (four) months after the suspension of the Shares on the Stock Exchange has been lifted). As PHM and Melinder were unable to sell the Pledged Shares at a price on or above the price floor of HK\$2.45 per Share as agreed under the Settlement Deed, therefore, the Subscribers and Melinder subsequently entered into, inter alia, (i) a Promissory Note and (ii) Satisfaction and Discharge Claims (together with the Promissory Note, the “**Settlement Documents**”) regarding the subscription monies.

On 3 December 2019, the Company and all Subscribers entered into 13 deeds of termination (the “**Termination Deeds**”), respectively, pursuant to which the parties agreed that the relevant Subscription Agreement shall be terminated and be of no further force and effect.

Upon termination of the relevant Subscription Agreement, all future obligations and liabilities of the parties thereunder shall be extinguished in the entirety.

The parties to the Share Purchase Agreement entered into a supplemental agreement (the “**Supplemental Agreement**”) on 3 December 2019 pursuant to which the parties to the Share Purchase Agreement agreed that, the provisions in relation to the Employees’ Subscription Condition and the Subscription Payment Guarantee shall be deleted from the Share Purchase Agreement with immediate effect.

As such, all the previous claims between FBD, the Subscribers against PHM and Melinder were resolved.

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

applicable, by returning cash in an amount equivalent to the issue price of such remaining lock-up Shares or such remaining lock-up Shares to the Company for revocation and cancellation.

Similar to 2018 EBITDA, if the audited EBITDA under International Financial Reporting Standards of Vimab Group for the year ended 31 December 2019 (“**2019 EBITDA**”) increases by by 21% or more as compared with the audited 2017 EBITDA, 50% of the remaining lock-up Shares will be unlocked and released on the 15th Business Day after the issue of such audited financial statements of the Vimab Group; (b) if the 2019 EBITDA divided by the 121% of the 2017 EBITDA falls on a range from 85.1% to 100%, it is calculated as, on a pro rata basis, $(2019 \text{ EBITDA} / (2017 \text{ EBITDA} \times 110\%) - 85.1\%) / (100\% - 85.1\%)$ of 50% of the lock-up Shares shall be unlocked and released, and PHM and FI shall, within ten (10) Business Days from the date when the 2019 EBITDA is finalised, return to the FBD the remaining lock-up Shares (or an amount equivalent to the value at the issue price of such remaining lock-up Shares) in the following priority: (1) by cash in an amount equivalent to the issue price of such remaining lock-up Shares; (2) if (1) is not available and subject to the compliance of the relevant rules and requirement by the Company, by returning such remaining lock-up Shares to the Company for revocation and cancellation; or (c) if both (a) and (b) are not applicable, by returning cash in an amount equivalent to the issue price of such remaining lock-up Shares or such remaining lock-up Shares to the Company for revocation and cancellation.

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

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

Late-October to early March will be a low season for Vimab due to the winter time in Nordic area, and the outbreak of COVID-19 in Europe started in March 2020, and therefore, COVID-19 did not have significant impact to Vimab business for the current Year.

The revenue from Vimab group increased from HK\$156.1 million to HK\$188.6 million, representing an increase of 20.8% as in the current Year it covered a full year of revenue while only 10 months were consolidated (since acquisition to 31 March 2019) for previous year.

Further information on the update of Vimab is set out in the section headed “Events after the reporting period” below.

Events after the reporting period

(1) Enforcement of the pledge over the shares in Vimab

Vimab was indebted to a fund (the “**Fund**”) in the principal of SEK131,000,000 (approximately HK\$102,745,000) 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, details of which are set out in the Company’s announcements dated 29 April 2020 and 26 May 2020.

The Company is now in the course of seeking legal advice as to whether the Fund was entitled to enforce the Pledge in the aforesaid manner under the Loan Agreement, and the legitimacy of the transfer of the Pledged Shares.

(2) Memsys JV

It is proposed to commence a voluntarily liquidation for the Memsys JV. Memsys JV has not yet commenced business and therefore the proposed liquidation would have no material impact to the Group. Upon completion of liquidation of Memsys JV, the Group’s and Cevital’s obligation to the cooperation agreement shall be discharged entirely.

(3) Clear Industry

The parties to the Clear Industry Acquisition entered into a settlement agreement on 28 May 2020 pursuant to which the Group conditionally agreed to return the shares of Clear Industry to the Qingqin, representing 51% of the total issued share capital of Clear Industry.

Qingqin will, within 6 months from the date of the said settlement agreement (or other dates as agreed by the parties in writing), dispose the consideration shares issued by the Company to any transferee(s) who is not the Group or any of their connected persons, and arrange the transferee(s) to deposit the relevant proceeds to the bank account designated by the Group.

Qingqin will also refund, subject to offsetting other outstanding balance owed by the Group to Clear Industry as to be verified and confirmed by the relevant parties, a total of RMB36,000,000 in cash in 5 tranches within 18 months from the date of such settlement agreement. Upon payment of the refund in full, all obligation to pay the Suzhou Commitment compensation under the Clear Industry Acquisition shall be deemed as fulfilled.

Conditions precedent the settlement agreement are yet to be completed, details of which are set out in the Company's announcement dated 28 May 2020.

(4) *Entering of placing agreement and subscription agreements*

The Company entered into a placing agreement dated 10 June 2020 with a placing agent pursuant to which such placing agent has conditionally agreed to place up to 57,290,113 new Shares, at a price of HK\$0.202 per placing share.

The Company also entered into subscription agreements dated 15 June 2020 with 3 subscribers pursuant to which such placing agent has conditionally agreed to subscribers have conditionally agreed to subscribe for an aggregate of 49,768,000 subscription shares at the subscription price of HK\$0.221 per subscription share. Such subscription was completed on 26 June 2020.

The Shares (to be) issued under placing agreement and subscription agreements are under the general mandate passed at the annual general meeting of the Company held on 16 August 2019.

Outlook

The construction industry will remain challenging in the coming year. The ongoing COVID-19, uncertainties of the trade tensions between China and United States, together with no immediate resolution of the social unrest in Hong Kong have posted uncertainties to the Hong Kong economy and impacts to our construction business. However, in view of the land policy of the Hong Kong Government in increasing land supply for housing developments for both private and public sectors, we are conservatively optimistic as to the long term demands in the construction industry.

During the Year, major cities in the PRC including Beijing, Shanghai Chongqing etc., implemented certain regulation to stipulate residents are required by law to sort domestic waste. The outbreak of COVID-19 has enlightened the public awareness over public hygiene, waste treatments etc., in which bringing more business opportunities to overall environmental protection industry in China.

The Group have been approaching various partners in China with an aim to explore certain cross-border business opportunities and bringing our expertise in the valve services to China. Despite a negotiation is closed to reach, but it was subsequently calling off along with the enforcement of pledged shares of Vimab.

FINANCIAL REVIEW

Results of the Group

During the Year, revenue of the Group decreased by approximately 18.1% to approximately HK\$837.2 million (2019: HK\$1,021.7 million), in which it was resulted decrease in revenue for construction business. Further discussion and analysis on the financial performance of each business segment of the Group is set out in the section headed “Business Review” above.

Loss for the Year attributable to owners of the Company amounted to approximately HK\$295.7 million (2019: HK\$92.7 million).

Basic loss per share was HK51.61 cents (2019: HK16.38 cent).

Other income and gains, net

Other income and gain, net decreased approximately from HK\$44.2 million for FY2019 to HK\$43.8 million for the Year. In previous year, included in the amounts of HK\$21.1 million arose from the gain on disposal of a kitchen waste treatment in Shenzhen and an oversea subsidiary holding Memsys Assets sold to Cevital. In the current Year, the amount was mainly arising from the completion of Stand Ascent Disposal and there recognised a gain of approximately HK\$29.3 million, being (i) the reverse of impairment previously recognised for DSE Receivables and SPM Receivables in previous years; and (ii) interest income of from Xu and Muhammed under the deed of undertaking date 6 July 2019 at 8% per annum.

Administrative expenses

Administrative expenses of the Group increased by 5.0% from approximately HK\$275.3 million to HK\$289.1 million, as amount in current Year covered full-year of expenses incurred by Vimab while only 10-months were consolidated (since acquisition to 31 March 2019) for previous year.

Finance costs

Finance costs of the Group decreased from approximately HK\$62.4 million to HK\$46.8 million for the Year, primarily due to an one-off acceleration of interest expense of approximately HK\$15.0 million over convertible bond along with its derecognition resulting from the suspension of the Company’s trading of shares in previous year.

Other expenses

Other expenses increased from HK\$19.7 million to HK\$193.8 million. In previous year, the amount included the impairment of (i) loss of contingent receivable in respect of Suzhou Commitments of approximately HK\$20.3 million; (ii) loss of contingent consideration asset in respect of fulfilment of certain financial benchmarks in Vimab Acquisition as set out in section headed “III Industrial Fluids System Services” of approximately HK\$5.0 million and (iii) gain on fair value of approximately HK\$15 million in convertible bond. In addition, the Group also incurred an one-off expense for legal and professional fee of approximately HK\$9.3 million for the resumption of trading. In the current Year, an aggregate amount of approximately HK\$140.0 million was arising from the impairment recognised for goodwill, intangible assets, property plant and equipment related to Vimab as a result of the enforcement of pledged shares subsequent to the reporting period. The other HK\$53.8 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.

Liquidity and Financial Resources

As at 31 March 2020, the Group had bank balances and cash of approximately HK\$29.8 million (as at 31 March 2019: approximately HK\$38.7 million).

The total interest-bearing loans comprising leases liabilities, bonds, bank and other borrowings of the Group as at 31 March 2020 was approximately HK\$425.4 million (as at 31 March 2019: approximately HK\$378.9 million), and current ratio for the Year was approximately 0.61 (as at 31 March 2019: approximately 1.16).

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

As the trading of the Shares have been suspended during July 2018 to February 2019, which was more than the stipulated period (i.e. 30 business days) according to the terms of the convertible bonds in the principal amount of US\$5,000,000 issued to Forest Water Environmental Engineering Co., Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 8473) with limited liability (“**Forest Water**”), the Company has been negotiating with Forest Water for settlement arrangement about the repayment for outstanding principal and interests. As at 31 March 2020, the principal and accrued interest outstanding under such convertible bonds is approximately US\$6.2 million (equivalent to HK\$49 million).

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

Going concern basis

At 31 March 2020, the Group had net current liabilities of HK\$261,952,000. In view of such circumstances, the Company have taken certain measures and events were taken place, to strengthen the Group's liquidity and cash flow forecast, which include, among others, the following:

- (a) The Group's interests in Vimab was taken out along with the enforcement of pledged shares of Vimab in April 2020. As such, the Group's liabilities were reduced by HK\$172 million;
- (b) The Group entered into a supplemental agreement dated 28 May 2020 to return its 51% equity interest in Clear Industry to the vendor for (i) cash refund of RMB36,000,000 previously paid; and (ii) within 6 months from the date of such settlement agreement (or other dates as agreed by the parties in writing) to dispose the 18,982,992 consideration shares (except to the Group or any of their connected persons) and arrange the relevant proceeds to the bank account designated by the Group;
- (c) The Group also entered into placement agreement and subscription agreements and raised for approximately HK\$22 million subsequent to the reporting date, of which proceeds from subscription of approximately HK\$10.97 million is expected to be received upon the completion of the subscription;
- (d) The Group has been also actively identifying any other possible financing options and debt restructuring exercises to further enhance and strengthen the liquidity of the Group; and
- (e) The Group is in the process to obtain a proposed facility of approximately HK\$170 million as additional financial support to the Group.

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 2020 was approximately 385.7% (as at 31 March 2019: approximately 90.56%).

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 2020, the Group pledged certain assets including (i) property, plant and equipment with carrying values of approximately HK\$112,810,000 (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 equipment.

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

During the Year, there has been no change in capital structure of the Company. The capital of the Company comprises ordinary shares and capital reserves. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings.

Capital commitments

As at 31 March 2020, the Group had capital commitment of approximately HK\$45,261,000 (as at 31 March 2019: approximately HK\$41,725,000) in relation to the projects of the Group under the ordinary course of business.

Human resources management

As at 31 March 2020, the Group had 566 employees, including Directors (as at 31 March 2019: 682 employees, including Directors). Total staff costs (including Directors' emoluments) were approximately HK\$187,511,000 for the Year as compared to approximately HK\$137,803,000 for FY2019. Remuneration was determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

As at 31 March 2020, 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 (of 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 2020, the Group had outstanding performance bond for construction contracts amounting to approximately HK\$68.4 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.

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 FY2020 (FY2019: nil), subject to the audited results of the Group for FY2020 upon completion of the auditing process.

Audit Committee and review of unaudited results

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

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

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

The Audit Committee has reviewed the Company's unaudited consolidated financial results for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group, and discussed the auditing, internal control and financial reporting matters as well as the unaudited consolidated financial statements for the year ended 31 March 2020 with the management and the auditor of the Company.

To the best knowledge and belief of the Audit Committee and the Directors having made due enquiries and reviewing all relevant documents available, the auditing process of the annual results for the year ended 31 March 2020 has not been fully completed as at the date of this announcement due to delay in the audit procedures resulting from the outbreak of COVID-19 in Sweden, in particular the delay in postponement of auditor's field work. In order to keep the shareholders and potential investors informed of the business operation and financial position of the Group, after discussion with the Company's auditor, the Board decided to publish this unaudited annual results announcement of the Company for the year ended 31 March 2020 together with the audited comparative figures for the corresponding period in 2019.

Following the completion of the auditing process, the Company will issue a further announcement in accordance with the HKFRSs, which is expected to be on or around 24 July 2020, in relation to (i) the audited results for FY2020 as agreed by the Company's auditor and the material differences (if any) as compared with the annual results contained herein; (ii) the proposed final dividend for the year ended 31 March 2020, if any; (iii) the proposed date on which the forthcoming annual general meeting will be held; and (iv) the period(s) during which the register of members of the Company will be closed in order to determine entitlement to receive the proposed final dividend (if applicable) and to ascertain shareholders' eligibility to attend and vote at the said meeting, respectively. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process. The Company expects the auditing process will be completed on or before 15 July 2020.

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

The unaudited 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.

Financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company’s auditors, and are subject to adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 29 June 2020

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

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

For identification purpose only