創業集團(控股)有限公司

NEW CONCEPTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2221

2017

Annual Report

CONTENTS

CORPORATE INFORMATION

Executive Directors

Mr. Zhu Yongjun *(Chairman of the Board)*
(appointed as the Chairman of the Board and an executive Director on 24 May 2016)
Ms. Qin Shulan *(Chief Executive Officer)*
(appointed as an executive Director on 24 May 2016 and Chief Executive Officer on 27 February 2017)
Mr. Cai Jianwen
Mr. Chu Shu Cheong
(ceased to be the Chairman on 24 May 2016 and resigned as an executive Director on 29 November 2016)
Mr. So Kin Shing (resigned on 24 May 2016)
Ms. Lai Mun Yee (resigned on 24 May 2016)
Mr. Kwan Man Hay
(resigned as an executive Director and Chief Executive on 27 February 2017)

Non-executive Directors

Dr. Zhang Lihui (appointed on 8 September 2016)
Mr. Chu Kingston Chun Ho
(appointed on 8 September 2016)
Mr. Lam Kwei Mo (retired on 15 August 2016)

Independent Non-executive Directors

Mr. Lo Chun Chiu, Adrian
Dr. Tong Ka Lok
Mr. Choy Wai Shek, Raymond, *MH, JP*

Audit Committee

Dr. Tong Ka Lok *(Chairman)*
Mr. Lo Chun Chiu, Adrian
Mr. Choy Wai Shek, Raymond, *MH, JP*

Nomination Committee

Mr. Lo Chun Chiu, Adrian *(Chairman)*
Dr. Tong Ka Lok
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Zhu Yongjun (appointed on 24 May 2016)
Mr. Chu Shu Cheong (resigned on 24 May 2016)

Remuneration Committee

Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman)*
Mr. Lo Chun Chiu, Adrian
Dr. Tong Ka Lok
Mr. Cai Jianwen (appointed on 24 May 2016)
Mr. Kwan Man Hay (resigned on 24 May 2016)

Company Secretary

Mr. Lee Tsi Fun Nicholas (appointed on 24 May 2016)
Mr. Chow Chi Keung (resigned on 24 May 2016)

Authorised Representatives

Mr. Cai Jianwen (appointed on 24 May 2016)
Mr. Lee Tsi Fun Nicholas (appointed on 24 May 2016)
Mr. Kwan Man Hay (resigned on 24 May 2016)
Ms. Lai Mun Yee (resigned on 24 May 2016)

Registered Office

Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108
Cayman Islands

Headquarters, Head Office and Principal Place of Business in Hong Kong

11/F, 8 Queen's Road Central
Hong Kong

(change of principal place of business in Hong Kong with effect from 29 June 2016)

Independent Auditor

Wellink CPA Limited
Certified Public Accountants
Rooms 803–4
Kin Wing Commercial Building
24–30 Kin Wing Street
Tuen Mun
New Territories
Hong Kong

CORPORATE INFORMATION

Legal Advisers

As to Hong Kong law
Loong & Yeung Solicitors
Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

As to Cayman Islands law
Appleby
2206–19, Jardine House
1 Connaught Place
Central, Hong Kong

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

China Citic Bank International
232 Des Voeux Road
Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

(change of name from Appleby Trust (Cayman) Ltd. with effect from 15 April 2016)

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2221

Company Website

http://www.primeworld-china.com

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the annual results of the Group to the shareholders and prospective investors of the Company for the year ended 31 March 2017 (the "Year").

2016 was a very meaningful and challenging year for the development of our Group. I have been appointed as Chairman of the board of directors in May 2016, and since then, I was authorised by my fellow board members to further develop and commerce our environmental business through acquisition of potential projects in the PRC and investment in company which is principally engaged in environmental business. With the strong support and vision of our board members, our environmental business has definitively driven our growth for the Year.

During the Year, gross profit increased by approximately 51.36% to approximately HK$198.96 million (2016: HK$131.45 million) and earnings per share decreased by 16.67% to HK$0.10 (2016: HK$0.12).

Despite our environmental business commenced in the second half of the year ended 31 March 2016, we recorded revenue of approximately HK$482 million from this segment which contributed approximately 38.9% of the Group's total revenue during the Year.

During the Year, the Group completed the acquisition of 100% equity interest in Taiyuan Tianrun Bioenergy Co., Ltd.* (太原天潤生物能源有限公司) ("Taiyuan Tianrun") at a consideration of RMB43,447,500. Taiyuan Tianrun is principally engaged in the kitchen waste treatment. Phase I production (with capacity of 200 tons/day) commenced operations in April 2017, and the average daily production capacity of Taiyuan Tianrun reaches 500 tons/day since its commencement of full capacity operation.

In December 2016, the Group also completed the acquisition of 51% of the issued share capital of Clear Industry Company Limited ("Clear Industry") which engaged in the business of trading, EPC of kitchen waste treatment, water treatment and provision for other environmental improvement solutions systems and a project of kitchen waste treatment at a consideration of RMB87,975,000 (approximately HK$100,990,000).

These acquisitions enable the Group to increase our production capacity for kitchen waste treatment as well as strengthening our technological design in processing and operating of kitchen waste treatment.

On top of kitchen waste treatment, we are aiming the industrial waste water treatment business which we believe there will be a trillion RMB PRC market. Due to the scarcity of water resource while huge water usage in heavy industry, and detailed regulations derived from the "Water Ten Plan", Zero-Liquid-Discharge is now applied and required in various heavy industry segments such as petrochemical, coal industry and power plant.

We acquired the intellectual rights, equipment and inventories of Memsys, which specialised in research and modules production of membrane distillation technology. The "Memsys" solution is based on its unique vacuum multi effect membrane distillation (V-MEMD) modules, which deliver a highly efficient thermal process for thermal separations in a modular concept, to provide the very cost effective and corrosion resistant solutions treating highly saline and corrosive process waters. The design and construction of these modules are protected by a number of worldwide patents. Memsys also invested in a state of the art automated production facility, able to produce membrane distillation modules based on the Memsys process to highest quality standards with the largest production facility worldwide for standardized modules for membrane distillation. Thus, we believe the Memsys technology shall be our significant advantage developing the industrial waste water treatment business in the PRC and more potential applications worldwide.

CHAIRMAN'S STATEMENT

During the Year the Group completed the allotment of 80,000,000 subscription shares at HK$2.10 per share to 2 independent subscribers. The proceeds from the subscription was approximately HK$167.1 million and was deployed to our kitchen waste business.

Taking into account of the acquisition of Hefei project completed in June 2017 and the formation of joint venture in Hanzhong, the Group would be able to secure four kitchen waste treatment sites in Taiyuan of Shanxi Province, Loudi of Hunan Province, Hefei of Anhui Province and Hanzhong of Shanxi Province in the PRC with a total planned capacity of 1,150 tons per day. We will continue to actively seek for new opportunities for construction and operation for kitchen waste projects through investments, bid-tendering, acquisition as well as providing solution systems and operations of kitchen waste treatment plants. With the increase in awareness of the pollution of kitchen wastes and emphasis on recycling kitchen wastes into useful resources and the continuous support of favorable policies, it is anticipated that environmental protection business will be the Group's core growing driver in the future.

With the on-going nationwide political support on environmental protection industry under the "Thirteenth Five-Year Plan" which promote the environmental protection as well as tightening laws and regulations, the environmental protection business in the PRC has experienced dramatic growth in the past few years and believed to continue its strong growth momentum. The increase in awareness of environmental protection provides new business opportunities, it is expected that environmental protection business in the PRC will drive for our future growth.

However, our construction works business recorded, on the first time, a loss for the Year. During the Year, there was a change in construction market in Hong Kong, the highly competitive pricing of construction projects caused our management to make a strategic move to balance the project award success with fair profit margins, which contributed to the significant decrease in number of new contracts awarded and reduction of profit for the Year. Nevertheless, the Group will adopt effective measures and explore alternatives to enhance shareholders' value.

Finally, I would like to take this opportunity to thank all the stakeholders of the Group for your continued effort and commitment. I am also express my heartfelt thanks to the shareholders and investors of the Company for their trust and confidence in us.

Zhu Yongjun
Chairman of the Board
Hong Kong, 29 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the business of construction works and environmental protection.

Business Review

I Construction Business

The Group continued to act as a contractor in the Hong Kong construction industry and principally engaged in foundation works, civil engineering works and general building works in Hong Kong.

The foundation works of the Group include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works. Civil engineering works include site formation (including associated infrastructure works), roads and drainage works and landslip preventive and remedial works to slopes and retaining walls. The Group also acted as main contractor in some building projects, and had also been retained as sub-contractors in projects of alterations and additions, renovation, and fitting-out for existing buildings.

Our construction business including foundation works, civil engineering works and general building works fell below our expectations for the Year. This was largely due to a combination of highly competitive pricing resulted from limited tendering projects and unforeseeable difficulties with complicated soil strata in different depth range of various construction projects which undermined the profit margin of the segment significantly.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the gaining of funding approval through the Legislative Council in Hong Kong was proven to be difficult. The delay in funding approval for public works led to reduction in Government infrastructure projects resulting in significant reduction of tenders. The limited tendering opportunities increased the competition in the construction industry, which affected the tendering price and profit margin of the projects.

The management has made a strategic move to balance the project award success with fair profit margins, contributed to the significant decrease in number of new contracts awarded from 18 new contracts for the year ended 31 March 2016 to only 6 new contracts for the Year.

Going forward, the Group shall pay more attention to tendering and subcontractor considerations such as fluctuating cost factors and project difficulties associated with challenging foundation or civil engineering content. The shortage of skilled labour and escalating construction costs in Hong Kong remain a concern. To cope with these problems, the management will explore alternative ways to address the above issues.

MANAGEMENT DISCUSSION AND ANALYSIS

II Sales of Construction Materials Business

The Group also engaged in trading of construction materials to enhance shareholders' value. During the Year, the management also sought to take advantage of the trading of construction materials to different construction suppliers and developers to increase the revenue as well as profit contribution to the Group. Despite the fact that, the losses from the two construction works outweighed the net profit from the sales of construction materials during the Year, the management considered that there is a good prospect in sales of construction materials, which could provide positive returns to the Group. The management intends to put more resources to expand its trading business onwards.

New Projects Awarded

During the Year, the Group has secured 6 new contracts (2016: 18 new contracts) with an aggregated contract value of approximately HK$549.68 million (2016: approximately HK$964.42 million). Details of the new projects awarded are as follows:

Name of project	Location	Sector	Main category of work
So Kwun Wat Project	Lot No. 541 at So Kwun Wat Road, Area 56, Tuen Mun, N.T	Foundation	Construction of large diameter bored piles, socketed steel H-pile, pipe pile, king post, geotechnically instrumentation, drainage, ELS and pile cap works
Pok Fu Lam Project	No. 138 Pok Fu Lam Road, Hong Kong	Foundation	Construction of Socketed Steel H-Pile, Soldier Pile, Pipe Pile, Geotechnically Instrumentation, Drainage, ELS and Pile Cap Works
Tung Chung and Texaco Road Project	Tung Chung Area 27 & Texaco Road	Foundation	Construction of large diameter bored piles, mini-pile, pipe pile, king post, sheet pile, geotechnically instrumentation, ELS and pile cap works
Sau Ming Road Project	Sau Ming Road, Sau Mau Ping, Kwun Tong	Foundation	Construction of Mini-piles and associated works
So Kwun Wat bored piles Project	So Kwun Wat, Tuen Mun, N.T.	Foundation	Construction of large diameter bored piles
Kau To Building Project	Area 56A, Kau To, Shatin, Sha Tin Town Lot No. 578, N.T., Hong Kong	Building	Superstructure contract works for residential development

MANAGEMENT DISCUSSION AND ANALYSIS

Projects in Progress

As at 31 March 2017, the Group had 12 projects in progress (2016: 20 projects in progress) with an aggregated contract value of approximately HK$1,235.46 million (2016: approximately HK$1,434.96 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 projects in progress as at 31 March 2017 are as follows:

Name of project	Location	Sector	Main category of work
Wan Chai APA Project	Hong Kong Academy for Performing Arts, 1 Gloucester Road, Wanchai, Hong Kong	Foundation	Construction of Socketed H-Piles, Earthworks and Underground Drainage
Tuen Mun Siu Sau Project	TMTL 435, Castle Peak Road — Tai Lam, Area 55, Siu Sau, Tuen Mun, New Territories	Foundation	Tree Felling, Design and Built of Site Formation, ELS, Pipe Pile, Socketed H Piles, Bored Piles and Pile Caps
United Christian Hospital Project	United Christian Hospital, 130 Hip Wo Street, Kwun Tong, Kowloon	Foundation	Construction of Mini-piles and pipe pile walls
Tung Tau Estate Project	Phase 8, Tung Tau Estate, Wong Tai Sin, Kowloon	Foundation	Construction of Hoarding, Pile Cap, ELS and Driven H-Piles
East Kowloon Cultural Centre Project	East Kowloon Cultural Centre in Kowloon Bay, Kowloon	Foundation	Construction of Socketed H-piles, Geotechnically Instrumentation, Hoarding modification and associated works
Kai Tak Stage 2 Project	Southern Part of the Former Runway, Kai Tak, Kowloon	Foundation	Construction of Rock-Socketed Steel H-Piles
Pok Fu Lam Road No. 45 Project	No. 46–65A Pok Fu Lam Road, Hong Kong	Foundation	Construction of large diameter bored piles, shear pile, pipe pile, geotechnically instrumentation, drainage, ELS and pile cap works
So Kwun Wat Project	Lot No. 541 at So Kwun Wat Road, Area 56, Tuen Mun, N.T.	Foundation	Construction of large diameter bored piles, socketed steel H-pile, pipe pile, king post, geotechnically instrumentation, drainage, ELS and pile cap works
Pok Fu Lam Project	No. 138 Pok Fu Lam Road, Hong Kong	Foundation	Construction of Socketed Steel H-Pile, Soldier Pile, Pipe Pile, Geotechnically Instrumentation, Drainage, ELS and Pile Cap Works
Tung Chung and Texaco Road Project	Tung Chung Area 27 & Texaco Road	Foundation	Construction of large diameter bored piles, mini-pile, pipe pile, king post, sheet pile, geotechnically instrumentation, ELS and pile cap works
Sau Ming Road Project	Sau Ming Road, Sau Mau Ping, Kwun Tong	Foundation	Construction of Mini-piles and associated works
Kau To Building Project	Area 56A, Kau To, Shatin, Sha Tin Town Lot No. 578, N.T., Hong Kong	Building	Superstructure contract works for residential development

MANAGEMENT DISCUSSION AND ANALYSIS

Completed Projects

During the Year, the Group has completed 12 projects (2016: 20 projects). The details of completed projects are as follow:

Name of project	Location	Sector	Main category of work
Macdonnell Road Project	No. 3 MacDonnell Road, Mid-levels, Hong Kong	Building	Construction of Soldier Pile, ELS, Pile Cap, Basement Works
Tsing Yi Project	Chung Mei Road, Tsing Yi, New Territories	Foundation	Excavation and lateral support and underground drainage works
Sai Kung ELS Project	Lot No. 1950 in DD221, Wai Man Road, Sai Kung, New Territories	Foundation	Construction of ELS and Raft Foundation Works
Kau To 579 Project	Shatin Lot S.T.T.L. 579, Area 56A, Kau To, New Territories	Foundation	Site Formation and Construction of Pipe Piles and Pad Footings
Pak Shek Kok 214 Project	Tai Po Town Lot No. 214 at Fo Yin Road, Pak Shek Kok, New Territories	Foundation	Construction of Hoarding, demolition, sheet pile and socketed H-Piles
Tuen Mun Siu Lun Project	Area 14 (Siu Lun), Tuen Mun	Foundation	Design and Built of Socketed H-Piles
Pak Tin Estate Project	Phase 9, Pak Tin Estate, Shek Kip Mei, Kowloon	Foundation	Construction of Mini-piles and associated works
Lei Yue Mun Project	Yau Tong Inland Lot No. 42, Lei Yue Mun Path, Lei Yue Mun, Kowloon	Foundation	Construction of Bored piles, Socketed H-Piles, Sheet Pile, King Post, Grout Curtain, Tree Protection and Hoarding
HongKong-Zhuhai-Macao Bridge Project (Western portion)	HongKong-Zhuhai-Macao Bridge	Foundation	Construction of Bored piles
Hung Hom Sung On Street Project	Nos. 1–23 Wan King Street, Nos. 2–26 Wan Fuk Street, Nos. 18–24 Wan On Street, Nos. 1–27 Wan Shun Street, Hung Hom, Kowloon	Foundation	Construction of ELS and Pile Cap Works
HongKong-Zhuhai-Macao Bridge Project (Middle portion)	HongKong-Zhuhai-Macao Bridge	Foundation	Construction of Bored piles
So Kwun Wat bored piles Project	So Kwun Wat, Tuen Mun, N.T.	Foundation	Construction of large diameter bored piles

III Environmental Protection Business

The environmental protection business of the Group commenced in the second half of the year ended 31 March 2016 and generated revenue and profit for the Year.

(i) Kitchen waste treatment

During the Year, the Group completed the acquisition of 100% equity interest in Taiyuan Tianrun from Taiyuan Runhe Environmental Protection Engineering Co., Ltd (太原潤禾環衛工程設備有限公司) at a consideration of RMB43,447,500. For details, please refer to the Company's announcement dated 28 June 2016. Taiyuan Tianrun is principally engaged in the kitchen waste treatment after its commencement of operations. Phase I production (with capacity of 200 tons/day) commenced operations in April 2017, and the average daily production capacity of Taiyuan Tianrun reaches 500 tons/day since its commencement of full capacity operation.

In December 2016, the Group also completed the acquisition of 51% of the issued share capital of Clear Industry Company Limited ("Clear Industry"), the holding company of Suzhou Clear Industry Co., Ltd.* (蘇州愷利爾環保科技有限公司) ("Suzhou Clear Industry"), Clear Industry (Shanghai) Co., Ltd* (清勤水處理科技（上海）有限公司) ("Clear Industry (Shanghai)") and Loudi Fangsheng Environmental Technology Co. Ltd* (婁底市方盛環保科技有限公司) ("Loudi Fangsheng"), at a consideration of RMB87,975,000 (approximately HK$100,990,000) with performance commitment on accounts receivables and audited net profits for each of the financial years ended 31 March 2017, 2018 and 2019, details of which are set out in the Company's announcement dated 2 November 2016.

Performance Guarantee

The acquisition of Clear Industry was completed on 14 December 2016. Pursuant to the acquisition agreement, the vendor undertakes that for the year ended 31 March 2017, the balance of the new audited accounts receivables (excluding the accounts receivables from related parties) shall not exceed 30% of the consolidated revenue; the balance of the audited accounts receivables aged one year to two years shall not exceed 10% of the consolidated revenue of the previous financial year; and the balance of audited accounts receivables aged over two years shall not exceed 5% of the consolidated revenue of the previous two financial years. In the event that the audited accounts receivables as at 31 March 2019 exceeds the above limitation, the exceeded amount (the "Exceeded Amount") will be deducted from the after-tax net profits.

The vendor also undertakes that the audited net profits after tax and attributable to shareholders of Suzhou Clear Industry (deducting the Exceeded Amount if required and excluding the revenue generated from the investment and contracting by the Group to the kitchen waste treatment project of Suzhou Clear Industry and Clear Industry (Shanghai) and the kitchen waste treatment project of Loudi Fangsheng) for the year ended 31 March 2017 shall be RMB20 million.

For the financial year ended 31 March 2017, the Group has consolidated the assets and liabilities and financial results of the Target Group (including its subsidiary Suzhou Clear Industry) since completion of the acquisition of Clear Industry in December 2016. Nonetheless, the Group requires extra time to complete the audited financial statements of Suzhou Clear Industry for the financial year from 1 April 2016 to 31 March 2017. Further information in relation thereto will be released in a separate announcement when such information is available.

MANAGEMENT DISCUSSION AND ANALYSIS

On 23 January 2017, the Group, Chieng Hsin Machinery (Kunshan) Co., Ltd ("Chieng Hsin"), being the creditor, Fu Li Biotechnology Co., Ltd (阜利生物科技股份有限公司) ("Fu Li"), being the vendor and Hefei Feifan Bio Technology Co., Ltd* (合肥非凡生物科技有限公司) ("Hefei Feifan") entered into the acquisition agreement, pursuant to which, the Group has conditionally agreed to acquire 80% equity interest in Hefei Feifan from Fu Li at the consideration of US$2,000,000 (equivalent to approximately HK$15,515,000). On the same date, the Group, Fu Li, Chieng Hsui and Hefei Feifan also entered into the capital injection agreement, pursuant to which, the Group has conditionally agreed to make the capital injection at an amount of US$10,000,000 (equivalent to approximately HK$77,576,000) into Hefei Feifan. The acquisition and capital injection agreements were completed on 2 June 2017.

Revenue Guarantee

Pursuant to the acquisition agreement and the capital injection agreement, Fu Li and Chieng Hsin undertake to the Group that there will be revenue performance upon certain conditions. The Company will comply with the relevant Listing Rules and regulations for disclosing its revenue performance on its next annual report. Further information relating to its performance will be released in a separate announcement while appropriate. Details of which are set out in the Company's announcement dated 23 January 2017 and 2 June 2017.

(ii) Industrial water treatment

The Group acquired the intellectual rights, equipment and inventories of Memsys, which specialised in research and modules production of membrane distillation technology. Non-corrosive plastic structure of Memsys products are applicable to a wide variety of applications in water and industrial area, such as zero-liquid discharge of highly concentrated waste water and alkali waste, and desalination plant projects in different scales.

In March 2017, the Group entered into the acquisition agreement with the vendors, pursuant to which the Group, through its indirect wholly-owned subsidiary, conditionally agreed to acquire and the vendors conditionally agreed to sell, the 100% equity interest in the capital of Beijing China Science Resources & Environmental Technology Co., Ltd.* (北京中科瑞升資源環境技術有限公司) ("CSRE") at a consideration of RMB25,000,000 (equivalent to approximately HK$28,205,000) which will be satisfied (i) as to RMB20,000,000 (equivalent to approximately HK$22,564,000) in cash; and (ii) as to RMB5,000,000 (equivalent to approximately HK$5,641,000) by the allotment and issue of 1,709,370 consideration new shares by the Company at HK$3.3 per share. Upon completion, CSRE will become an indirect wholly-owned subsidiary of the Company, which is principally engaged in the business of trading, EPC of water treatment and provision for other environmental improvement solutions systems. CSRE not only successfully began the application and commercialisation of Memsys' membrane distillation technology but also focuses in the research, application and commercialisation of zero-liquid discharge technology. It is one of the few technology providers for brine, acids and alkaline water treatment in the PRC. As such, CSRE can bring Memsys' technology into the PRC, start widescale commercialisation and open new markets of membrane distillation technology for Memsys globally. The aforesaid acquisition is yet to be completed as at the date of this report.

Performance and Profit Guarantee

Pursuant to the acquisition agreement, the vendors undertake to the Group that there will be profit guarantee for the period from 1 April 2017 to 31 March 2018 and performance guarantee from date of establishment of CSRE to 30 April 2018. The Company will comply with the relevant Listing Rules and regulations for disclosing its profit and performances guarantee in its next annual report. Details of which are set out in the Company's announcement dated 2 March 2017. Further information relating to its performance in relation thereto will be released in a separate announcement while appropriate.

IV Other Strategic Investments and Funding Plans

(i) Acquisition of 49% equity interest in PT. Dempo Sumber Energi ("DSE")

Reference is made to the announcements of the Company dated 23 March 2016, 6 April 2016, 30 May 2016, 21 September 2016 and 24 April 2017 in relation to the acquisition of 49% equity interest in DSE. As at the date of this report, PT Perusahaan Listrik Negara (Persero) and the Minister of Energy and Mineral Resources of Indonesia are still under discussion on the execution of MEMR 19/2015 and additional time is required for the fulfillment of the conditions precedent to the acquisition agreement entered into by, among others, an indirect wholly-owned subsidiary of the Company and the Vendor (as amended and supplemented by the supplemental agreement). The parties entered into an extension deed on 21 September 2016 to extend the long stop date from 23 September 2016 to 21 April 2017 and a second extension deed was entered on 21 April 2017 to further extend the long stop date to 20 October 2017 or such later date as the parties may further agree in writing. The Company will make further announcement for completion of the above acquisition as and when appropriate in accordance with the Listing Rules.

(ii) Acquisition of PT. Sumatera Pembangkit Mandiri ("SPM")

In August 2016 the Group also entered into an acquisition agreement in relation to acquisition of 80% equity interest in SPM at a consideration of not exceeding US$4.6 million, depending on the final tariff to be reached in the power purchase agreement. SPM is the project company for the development of a hydropower plant in Indonesia. Such acquisition is yet to be completed as at the date of this report.

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of such acquisition are less than 5%, such acquisition is not subject to the notification and announcement requirements pursuant to the Listing Rules.

(iii) Placement of Shares and Use of Proceeds

On 16 August 2016, the Group completed the allotment of 80,000,000 shares (the "Subscription Shares") at HK$2.10 per share to 2 independent subscribers. The Subscription Shares represented approximately 16.67% of the then issued share capital of 480,000,000 shares as enlarged by the allotment and issue of the Subscription Shares. The gross proceeds and net proceeds from the subscription amounted to approximately HK$168 million and approximately HK$167.1 million (after deduction of the legal fees and other professional expenses) respectively, which is intended to be used for the general working capital for the operation and development of the kitchen waste treatment business of the Group and the possible acquisition of the water treatment business by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the interim results announcement for the six months ended 30 September 2016, the Group entered into a termination agreement in November 2016 in relation to the possible acquisition of certain water treatment plants. As such, the remaining net proceeds will be applied for development of kitchen waste treatment and other business opportunities.

As at 31 March 2017, the Group had utilised all the net proceeds from the Subscription Shares for the acquisition and development of the kitchen waste treatment business. A summary of the use of proceeds is set out as follows:

	HK$ million
Net proceeds	167.1
Less: Development of Taiyuan Tianrun project	(124.9)
Acquisition of Clear Industry and development of Loudi project	(42.2)
	–

(iv) Issuance of Convertible Bonds

On 31 March 2017, the Company and the subscriber entered into the principal terms of investment, pursuant to which the Company conditionally agreed to issue, and the subscriber conditionally agreed to subscribe for, the convertible bonds with an aggregate principal amount of not more than US$40,000,000. The conversion shares will be allotted and issued under a specific mandate to be passed at the extraordinary general meeting of the Company (the "EGM") to be convened. Further announcement on the poll results of the EGM will be made in accordance with the Listing Rules. Details of which are set out in the Company's announcement dated 31 March 2017.

V Other Information

(i) Impairment of Goodwill and Other Intangible Assets

The Group conducted reviews, based on discounted cashflow method, on impairment of goodwill and intangible assets arising mainly from the acquisition of Clear Industry and Taiyuan Tianrun, and no impairment loss has been recognised during the Year.

(ii) Issue and lapse of unlisted warrants

On 27 February 2017, the Company entered into the warrants subscription agreement with a senior corporate consultant (the "Consultant") of the Company, pursuant to which, the Company conditionally agreed to issue and the Consultant conditionally agreed to subscribe for 4,000,000 warrants at the issue price of HK$0.33 per warrant. Each warrant carries the right to subscribe for one warrant share at the exercise price of HK$3.33 per warrant share. Subsequent to the entering into of the warrants subscription agreement, the Company and the Consultant had renegotiated certain terms of the warrants subscription agreement, but have yet to reached a conclusion on or before 31 March 2017. As such, the warrants subscription agreement had lapsed and become null and void against the Company and the Consultant as at 31 March 2017.

Outlook

The environmental protection business in the PRC has been growing robustly due to on-going food safety issues and nationwide political support on environmental protection business industry, which provides a solid foundation for such business growth in the PRC.

In the "Plan for Establishing Facilities for the Innocuous Treatment of Municipal Solid Waste under the Thirteenth Five-Year Plan (Draft)", the National Development and Reform Commission & Ministry of Housing and Urban-Rural Development of the PRC set the target of the garbage disposal rate of municipalities and provincial capitals at 100% by 2020; encouraged joint treatment of food waste & other organic biodegradable waste in order to achieve a processing capacity of 40,000 tons per day by the end of Thirteenth Five-Year. Given the huge upside potential, a strong but steady growth in the industry is expected in the coming years.

During the Year, the Group recorded an increase in revenue and profit from the environmental protection business through the revenue generated from newly-acquired Clear Industry, and construction of BOT kitchen waste projects. Taking into account of the formation of joint venture in Hanzhong as set out in below "Significant Events after the Reporting Period, the Group would be able to secure four kitchen waste treatment sites in Taiyuan of Shanxi Province, Loudi of Hunan Province and Hefei of Anhui Province in the PRC with a total planned capacity of 1,150 tons per day. The Group will continue to actively seek for new opportunities for construction and operation for kitchen waste projects through investments, bid-tendering, acquisition as well as providing solution systems and operations of kitchen waste treatment plants. With the increase in awareness of the pollution of kitchen wastes and emphasis on recycling kitchen wastes into useful resources, it enables us to increase our market share in the kitchen waste treatment in the PRC along with the support of favorable policies and economic growth momentum through the development of the PRC's environmental protection business.

On the other hand, on top of decrease in turnover of our construction business, the Group, for the first time, recorded a loss from construction business during the Year. During the year, the Group's construction business underwent a fierce and competitive business environment as a result of (i) downturn in Hong Kong economy; (ii) slowdown in the number of new development of construction site; and (iii) continuing keen competition in terms of increasing number of competitors and profit margin of the construction projects.

As such, the Group continues to implement measures to further strengthen our cost-effectiveness through better design optimisation.

Results

During the Year, revenue of the Group decreased by approximately 12.18% to approximately HK$1,239.81 million (2016: HK$1,411.80 million).

Gross profit increased by approximately 51.36% to approximately HK$198.96 million (2016: HK$131.45 million).

Profit for the Year attributable to owners of the Company decreased by approximately 4.24% to approximately HK$47.61 million (2016: HK$49.72 million).

Earnings per share decreased by 16.67% to HK$0.10 (2016: HK$0.12).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Segmental Operating Performance

Construction Business — 54.21% of total revenue

The construction business of the Group reported a net loss of approximately HK$1.40 million for the Year as compared with an adjusted net profit of approximately HK$54.18 million for the year ended 31 March 2016. The loss was attributable to the significant increase in subcontracting charges for unforeseeable high ground water level in MacDonnell Road building project, the increase in various construction costs of various prolonged projects and the rental of oscillator and crawler crane to encounter the challenge for the movement of newly reclaimed ground and complicated soil strata in different depth range in HongKong-Zhuhai-Macao Bridge foundation project, which led to a considerable loss in that project, a rare occurrence in our construction history.

Revenue of construction business including foundation works, civil engineering works and general building works for the Year decreased by approximately 52.39% from approximately HK$1,411.80 million for the year ended 31 March 2016 to approximately HK$672.13 million for the Year. Such decrease was mainly attributable to the highly competitive bidding in the construction market resulted in the reduction on the aggregate contract sum of the newly awarded projects recognised during the Year. In addition, there was absence of sizeable projects for tendering during the Year, and the Group has secured 6 new construction contracts (2016: 18 new construction contracts) with an aggregate contract value of approximately HK$549.76 million (2016: approximately HK$964.42 million). Such decrease was attributable to the new strategic move to balance the project award success with a fair profit margin, which contributed to the decrease in number of new contracts being awarded.

As at 31 March 2017, the Group had 12 projects in progress with an aggregated contract value of approximately HK$1,235.46 million, compared to 20 projects in progress and approximately HK$1,434.96 million respectively as at 31 March 2016.

The profit margin of construction business decreased to approximately 6.61% for the Year from approximately 9.31% as compared with that of the same period last year. Such decrease was attributable to the keen competition from the market players for the Year. Most of the industry players bid in open tender with a lower tender premium in order to win the bidding. The competitive bidding reduced the profit margin of the Group for the Year.

Sales of Construction Materials Business — 6.93% of total revenue

Revenue of sale of construction materials business was approximately HK$85.91 million for the Year. The Group commenced its trading in construction materials in January 2016 and recognised whole year revenue from the sale of construction materials for the Year. Profit from the sale of construction materials for the Year was approximately HK$4.67 million. The contribution of profit was attributable to the recognition of whole year financial performance from the sale of construction materials for the Year.

Environmental Protection Business — 38.86% of total revenue

Revenue from environmental protection business represented the construction of BOT kitchen waste projects and other technical services and sales of machineries. During the Year, the Group recognises the construction revenue of Taiyuan's and Loudi's projects with reference to its respective fair value of the construction service delivered and stages of completion. The Group also provided certain consultancy services and design and technical solutions for water and kitchen waste treatment plants.

The increase in contribution from BOT projects and service income during the Year as the environmental protection business only commenced its operation in the second half of the year ended 31 March 2016 and also no revenue was generated in that year.

Financial Review

Other Income and Net Gain

Excluding the income from the sale of construction materials for the year ended 31 March 2016 of approximately HK$5.68 million, other income and net gain of the Group increased from a net gain of approximately HK$3.59 million for the year ended 31 March 2016 to a net gain of approximately HK$11.73 million for the Year, mainly due to the increase in service income as well as the waiver of interest from a related company.

Administrative Expenses

Administrative expenses of the Group increased from approximately HK$32.50 million for the year ended 31 March 2016 to approximately HK$98.50 million for the Year, amounting for approximately 2.30% and 7.94% of the Group's revenue for the year ended 31 March 2016 and for the Year, respectively. The increase in administrative expenses was primarily attributable to the increase in staff costs (including directors' emoluments) and certain operating costs and expenses associated with environmental protection segment which was established in the second half of the year ended 31 March 2016. In particular, the Group recorded an one-off expense of share-based payment of approximately HK$18.94 million upon the grant of share options during the Year.

Other Operating Expenses

Other operating expenses of the Group decreased by approximately 55.6% from approximately HK$37.96 million for the year ended 31 March 2016 to approximately HK$16.85 million for the Year. The decrease in other operating expenses was primarily due to a drop in other operating expenses as a result of the decrease in maintenance costs of machineries of construction business in the Year.

Finance Costs

Finance costs of the Group decreased significantly from approximately HK$8.38 million for the year ended 31 March 2016 to approximately HK$2.16 million for the Year, primarily due to full repayment of loan and total interest expense from last year and the reduction of hire purchase interest on machinery acquired during the Year. Other loan of approximately HK$165.94 million was granted in March 2017.

Interest rates of finance leases ranged from 2.75% to 3.95% for the Year, as compared with 1.18% to 3.95% for the year ended 31 March 2016.

Taxation

Tax charge of the Group increased by approximately 198.11% from approximately HK$12.16 million for the year ended 31 March 2016 to approximately HK$ 36.25 million for the Year. The increase was due to the deferred tax arising from the construction of kitchen waste projects, despite the drop in current taxation caused by net loss of our construction segment of approximately HK$1.40 million for the Year as compared with an adjusted net profit of approximately HK$54.18 million for the year ended 31 March 2016.

Liquidity and Financial Resources

As at 31 March 2017, the total assets of the Group increased by approximately 65.67% to approximately HK$1,430.76 million from approximately HK$863.60 million for the year ended 31 March 2016. The Group also maintained a strong and sound financial position during the Year. As at 31 March 2017, the Group had bank balances and cash of approximately HK$173.11 million (31 March 2016: approximately HK$195.25 million).

The total interest-bearing loans comprising finance lease, other loans and bank borrowings of the Group as at 31 March 2017 was approximately HK$211.39 million (31 March 2016: approximately HK$74.35 million), and current ratio for the Year was approximately 0.99 (31 March 2016: approximately 1.06).

MANAGEMENT DISCUSSION AND ANALYSIS

Interest rates of interest-bearing loans ranged from 2.75% to 6.00% for the Year, as compared with 1.18% to 3.95% for the year ended 31 March 2016.

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

Gearing Ratio

The gearing ratio of the Group as at 31 March 2017 was approximately 44.08% (31 March 2016: approximately 35.19%). The increase in gearing ratio was mainly attributable to the increase in equity during the Year.

The gearing ratio is calculated as the payables incurred not in the ordinary course of business (excluding loan from a Director and shareholder) divided by total equity attributable to the owners of the Company as at the respective years.

Pledge of Assets

As at 31 March 2017, the Group pledged its operating concession and receivable under service concession arrangements of an aggregate amount of approximately HK$330,608,000 (31 March 2016: nil).

As at 31 March 2017, the Group pledged bank deposits of approximately HK$12.44 million (31 March 2016: nil) as collateral to secure banking facilities granted to the Group.

Foreign Exchange Exposure

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

Capital Structure

Save as disclosed above for the allotment and issue of 80,000,000 new shares to two independent subscribers, there had been no other changes in capital structure of the Company during the Year. 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, bank borrowings and fund raising exercise during the Year.

Capital Commitments

As at 31 March 2017, the Group had capital commitments of approximately HK$112,399,000 (31 March 2016: nil).

Human Resources Management

As at 31 March 2017, the Group had 334 employees (31 March 2016: 273 employees), including the Directors. Total staff costs (including Directors' emoluments and expense of share-based payments) were approximately HK$148.16 million for the Year as compared to approximately HK$97.56 million for the year ended 31 March 2016. Remuneration is 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 and injury insurance.

Significant Investments Held

As at 31 March 2017 and 31 March 2016, the Group held approximately 5.89% of the total issued share capital of Josab International AB, the shares of which are listed on AktieTorget, a stock exchange in Sweden.

Save as disclosed above and except for investment in subsidiaries, during the Year, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Contingent Liabilities

As at 31 March 2017, the Group had an outstanding performance bond for construction contracts amounted to approximately HK$91.50 million (31 March 2016: approximately HK$91.60 million). The performance bond was secured by unlimited corporate guarantees provided by a related company.

In addition, the Group was involved in a number of claims arising in the ordinary course of business with insurance coverage during the Year, which will not have a material adverse effect on the financial position or operating results of the Group, if materialised.

Update on positive profit alert

Reference is made to the positive profit alert announcement dated 16 May 2017 (the “Profit Alert Announcement”). As disclosed in the Profit Alert Announcement, the Group expected to record an increase of about 20% in its consolidated profit attributable to equity owners for the Year as compared with that for the year ended 31 March 2016 based on the then available unaudited financial information. As disclosed in the final results announcement of the Company dated 29 June 2017 and this report, the Group recorded consolidated profit attributable to equity owners of HK$47.61 million for the Year, representing a decrease of approximately 4.2% as compared with that for the year ended 31 March 2016. The lower-than-expected consolidated profit recorded for the Year was mainly attributable to (1) the impairment recognised on the debit reserve balance available-for-sale financial assets reserve of approximately HK$7.5 million; and (2) recognition of certain government grant as deferred income of approximately HK$8.2 million that was previously credited to profit or loss. The Board wishes to emphasise that the aforesaid adjustments are non-cash in nature and therefore do not have any substantial adverse impact on the operating cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events after the Reporting Period

(1) Increased interest in Josab

In February 2017, the board of directors of Josab offered Rights Shares to the existing shareholders via the Rights Issue of 2 Rights Shares for every 11 issued shares in Josab. The subscription price of SEK2.15 per Rights Share. On top of the Group's proportionate share in the Rights Shares, the Group additionally subscribed for not more than 3,200,000 Josab's shares. The Right Issue was completed in April 2017, and the Group's interest in Josab increased by approximately 10.37% as at the date of this report.

(2) Entering into a Framework Agreement

In April 2017, the Group entered into a Framework Agreement in relation to the possible acquisition of entire equity interest in Beijing TDR Environ-Tech Co., Ltd.* (北京天地人環保科技有限公司), a company incorporated in PRC with limited liability and is principally engaged in the business of the development and manufacture of water treatment solutions system in the PRC, at a consideration of RMB650 million. As at the date of this report, the acquisition has not been completed, details of which are set out in the Company's announcement dated 27 April 2017.

(3) Formation of Joint Venture

In June 2017 the Group has entered into the joint venture agreement 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") for the formation of the joint venture company which will principally engage in kitchen waste treatment and development and production of renewable energy from kitchen waste upon the commencement of a service concession agreement and the formal commencement of business in Hanzhong of Shanxi Province. The JV Company will be held as to 92% by Prime World (Tianjin) Environmental Protection Technology Co., Ltd. (世本（天津）環境技術有限公司) ("Prime World (Tianjin)"), the wholly-owned subsidiary of the Company and 8% by Hanzhong UCID. Prime World (Tianjin) will contribute RMB40 million in cash to the registered capital of the joint venture company. As at the date of this report, the formation of joint venture has yet to be completed, details of which are set out in the Company's announcement dated 19 June 2017.

Save as disclosed above, there is no other significant event after the reporting period of the Group.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhu Yongjun, aged 50, was appointed as the Chairman of the Board and an executive Director of the Company on 24 May 2016. He is also a member of the nomination committee of the Board.

Mr. Zhu was an executive director of EverChina Int'l Holdings Company Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (Stock Code: 202) from May 2008 to February 2013. He was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (a company listed on the Shanghai Stock Exchange) (Stock Code: 600187), from January 2009 to May 2015. He is currently the chairman of the board of Josab International AB, a company incorporated under the laws of Sweden, whose shares are listed on the AktieTorget, a stock exchange in Sweden. Mr. Zhu obtained his undergraduate from Hunan University in 1989, and a Master's degree of business administration in Peking University in the People's Republic of China in 2005. He started his environmental protection career in 2001.

Ms. Qin Shulan, aged 54, was appointed as an executive Director of the Company on 24 May 2016 and subsequently appointed as the Chief Executive Officer on 27 February 2017. She is the senior engineer of Northern China Municipal Engineering Design and Research Institute. She was the legal representative and supervisor of water treatment new technology commercialisation centre (Tianjin Free Trade Zone Water Treatment New Technology Commercialisation Centre) under the Ministry of Housing and Urban-Rural Development of the People's Republic of China from 2006 to 2015. She was the person in charge of the commercialisation of biologically reinforced filler and its carrier and auxiliary device for municipal sewage treatment plant, which is a key water body pollution control and restoration technology project in China's 12th Five-Year Plan. She was also the general manager and vice chairperson of Capital Aihua Municipal & Environmental Engineering Co., Ltd. from 2009 to November 2015. She obtained her Master's degree in business administration from Tianjin University. She has over 30 years of experience in investment, constructions, development and operations of environmental protection-related business.

Mr. Cai Jianwen, aged 43, was appointed as an executive Director of the Company on 23 September 2015 and is also a member of the remuneration committee of the Board. He was a general manager of Interchina Water Treatment Hong Kong Company Limited (國中水務香港有限公司) from April 2014 to March 2016. From May 2011 to April 2014, he was also the Chief Financial Officer of Heilongjiang Interchina Water Treatment Company Limited whose shares are listed on the Shanghai Stock Exchange (stock code: 600187).

He received a Master of Business Administration degree from China Europe International Business School (CEIBS) in March 2008. Mr. Cai was a fellow member of China Institute of Certified Public Accountant. Since 2015, Mr. Cai is also a director of Josab International AB, which shares are listed on AktieTorget, a stock exchange in Sweden.

Mr. Chu Shu Cheong, aged 56, is the founder of our Group and an executive Director of the Company until 29 November 2016, but remains as the director of the subsidiaries of the Company, namely New Concepts Foundation Limited ("NC Foundation") and New Concepts Engineering Development Limited ("NC Engineering"). He possesses over 19 years of management experience in foundation, civil engineering and building works of various nature.

Besides his business achievement, Mr. Chu was also appointed as the honorary chairman of the China Star Light Charity Fund Association in 2000, a member of the Guangdong Province Committee of the Chinese People's Political Consultative Conference ("CPPCC") (中國人民政治協商會議廣東省從化市委員會) in October 2011 and a member of the Guangzhou Committee of the CPPCC (中國人民政治協商會議廣州市委員會) in December 2011.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwan Man Hay, aged 62, is the Chief Executive of our Group and an executive Director of the Company until 27 February 2017, but remains as the director of NC Foundation and NC Engineering.

Mr. Kwan has over 32 years of experience in the engineering and construction industry. He is a member of the following professional bodies: Hong Kong Institution of Engineers (HKIE), the Chartered Institute of Building (CIOB), the Chartered Institute of Arbitrators (CIArb). He is also a Registered Professional Engineer (RPE) recognised by the Engineers Registration Board. Mr. Kwan is the holder of Higher Diploma in Building Technology and Management and Associate Diploma in Building Technology and Management awarded by the then Hong Kong Polytechnic in November 1978 and November 1982 respectively.

In October 1997, Mr. Kwan was a director of NC Foundation and was then responsible for overseeing the tendering and execution of the Group's foundation works, civil engineering and building projects. Mr. Kwan joined Lanon Development Limited as a director and left our Group in April 2005. In April 2010, Mr. Kwan re-joined the Group as a senior management and was appointed as director of both NC Engineering and NC Foundation in 2012. Since then, Mr. Kwan has been responsible for strategic planning, and overseeing of tendering and execution of the Group's foundation works, civil engineering and building projects. Mr. Kwan is also responsible for overseeing the Group's administrative functions.

Mr. So Kin Shing, aged 75, was appointed on 22 May 2014 and resigned as an executive Director of the Company on 24 May 2016. He remains as the directors of NC Foundation and NC Engineering.

Mr. So is in charge of technical and resources support of execution of building, foundation and site formation works and is also responsible for ensuring projects carried out by our Group complies with Buildings Ordinance and related regulations.

Mr. So has over 44 years of experience in the engineering and construction industry. Besides his studies at the Hong Kong Technical College in 1960 to 1963, Mr. So also studied at the Department of Civil and Structural Engineering at University College, Cardiff, United Kingdom and obtained a Master of Science degree in July 1987. Mr. So is a Chartered Engineer of The Council of Engineering Institutions since December 1970. He is currently an Authorised Person and Registered Structural Engineer under the Buildings Ordinance.

Mr. So joined our Group in 2000 and 2001 as a director of NC Foundation and NC Engineering respectively. He acts as Technical Director under the Buildings Ordinance for NC Foundation during the period from May 2001 to January 2006 and from September 2010 to the date of this annual report.

Prior to joining our Group, Mr. So had worked for certain positions in the Buildings Department from March 1973 to January 1997 as a structural engineer, senior structural engineer, chief structural engineer and head of site monitoring section. Mr. So also works as a director for various commercial companies for more than 19 years.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Lai Mun Yee, aged 53, was appointed on 22 May 2014 and resigned as an executive Director of the Company on 24 May 2016. She remains as the directors of NC Foundation and NC Engineering, both are wholly-owned subsidiaries of the Company and is now responsible for overseeing the administration, accounting, taxation functions and daily operations in construction business of our Group.

Ms. Lai joined our Group in October 1999 and is the accountant of our Group. Ms. Lai is a diploma holder in accounting for executives awarded by The Chinese University of Hong Kong jointly organised by the Faculty of Business Administration and The Asia Pacific Institute of Business in October 2001. Ms. Lai has over 26 years of accounting experience. Prior to joining our Group, Ms. Lai worked as an accountant and administration and accounts manager for different companies for more than 10 years.

Non-Executive Directors

Dr. Zhang Lihui, aged 46, is a partner of Tsing Capital. Dr. Zhang has been focusing on the investment related to environmental protection, clean energy, high technology and precious materials in China since joining Tsing Capital. He is also the chairman of the supervising committee of Fujian Haiyuan Automatic Equipments Co., Ltd, a company listed on the Shenzhen Stock Exchange (Stock Code: 002529).

Dr. Zhang received a master's degree in Laws and a bachelor's degree in Technology English in PLA University of Foreign Language, subsequently obtained his Ph.D. degree in Economics from the University of International Business and Economics. Dr. Zhang also completed the Advanced Management Program at Harvard Business School in 2009.

Mr. Chu Kingston Chun Ho, aged 32, is an executive director of each of Kingston Financial Group Limited (a company listed on the Stock Exchange (Stock Code: 1031)) , Sincere Watch (Hong Kong) Limited (a company listed on the Stock Exchange (Stock Code: 444)) ("Sincere HK") and Synergis Holdings Limited (a company listed on the Stock Exchange (Stock Code: 2340)) ("Synergis"). Mr. Chu is a licensed person under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for Kingston Securities Limited and Kingston Corporate Finance Limited, respectively. Mr. Chu is also the chairman of Synergis and a director of Sincere Watch Limited, the immediate holding company of Sincere HK. Mr. Chu is a member of Guangxi Committee of the Chinese People's Political Consultative Conference, member of General Committee of the Chamber of Hong Kong Listed Companies, vice president of Hong Kong CPPCC Youth Association, Youth Committee vice director of HKCPPCC (Provincial) Members Association, vice president of Federation of HK Guangxi Community Organisations, honorary chairman of Hong Kong Guangxi Youth Organisations, vice chairman of Hong Kong Guangdong Youth Association, Youth Committee Chairman of Hong Kong Federation of Dongguan Associations and director of Hong Kong Securities Association. Mr. Chu holds a bachelor of Science in Business Administration from the University of Southern California in the United States of America.

Mr. Lam Kwei Mo, aged 44, was appointed as a non-executive Director of the Company on 23 September 2015 and retired on 15 August 2016. He was an investment director of Interchina Water Treatment Hong Kong Company Limited (國中水務香港有限公司) from December 2014 to February 2016, a wholly-owned subsidiary of Heilongjiang Interchina Water Treatment Company Limited whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600187).

Prior to joining our Group, Mr. Lam spent over 10 years in an international bank in various roles and functions. He holds a Master of Business Administration degree from China Europe International Business School (CEIBS). He has extensive experience in investment analysis, direct investment, corporate finance, banking and business strategy development.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Lo Chun Chiu, Adrian, aged 61, was appointed as an independent non-executive Director of the Company on 26 August 2014. He is the chairman of the nomination committee of the Board and a member of each of the audit committee and remuneration committee of the Board.

Mr. Lo was awarded a Bachelor of Laws degree by the University of London in August 1988. He is a member of the Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since November 1991 in general legal practice. From December 1993 to the date of this annual report, Mr. Lo has been a partner of Joseph C.T. Lee & Co., Solicitors, and engaged in various fields of legal practice involving commercial and conveyancing litigation, acquisition and sale of business and/or companies, company liquidation, charity foundation works, formation of religious organisations, family law, immigration law and employment law.

Dr. Tong Ka Lok, aged 54, was appointed as an independent non-executive Director of the Company on 26 August 2014. He is the chairman of the audit committee of the Board and a member of each of the nomination committee and remuneration committee of the Board.

Dr. Tong was awarded a Doctor of Public Health degree (epidemiology and biostatistics) from the Macau University of Science and Technology in August 2013. Dr. Tong is a founder and partner of Baker Tilly Macao Certified Public Accountants which was established in October 2000. He is an auditor registered at the Committee for the Registry of Auditors and Accountants in Macau in January 2006. Besides his business establishment, Dr. Tong was appointed as a member of the Nanjing Committee of CPPCC* (中國人民政治協商會議南京市委員會), and Vice President of the Macau University of Science and Technology in 2012, and a University Council Member in 2013. Dr. Tong has over 25 years of accountancy experience up to the date of this report.

Mr. Choy Wai Shek, Raymond, *MH, JP*, aged 68, was appointed as an independent non-executive Director of the Company on 26 August 2014. He is the chairman of our the remuneration committee of the Board and a member of each of the nomination committee and audit committee of the Board.

Mr. Choy joined our Group in January 2013 as a director of NC Foundation. Mr. Choy has been carrying out an independent non-executive role in NC Foundation, mainly responsible for advising on corporate governance of NC Foundation. Mr. Choy also acts as an independent non-executive director of Far East Hotels and Entertainment Limited, a company listed on the Main Board (stock code: 37).

Mr. Choy holds a Diploma in Chinese Law awarded from the University of East Asia (now known as the University of Macau) in October 1987 and a Diploma in Political Science from the International Affairs College, Hong Kong in July 1988.

He was the Chairman of the Sham Shui Po District Board from April 1991 to September 1994, a Hong Kong affairs adviser appointed by the Hong Kong and Macao Affairs Office of the State Council and the Xinhua News Agency from 1994 to 1997, the vice-chairman of the Occupational Safety and Health Council of the Labour and Welfare Bureau from 2004 to 2010, a member of the Energy Advisory Committee of the Environment Bureau from 2006 to 2012 and a member of the Consumer Council of the Commerce and Economic Development Bureau from 2005 to 2011.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

He was a member of the Guangzhou Committee of the CPPCC* (Term Ninth to Twelfth) (中國人民政治協商會議廣州市委員會). He was also appointed as a vice president of GMC Hong Kong Members Association in February 2012, and as an elected committee member and also the chairman of member service committee of the Chinese General Chamber of Commerce.

Senior Management

Mr. Lee Tsi Fun Nicholas, aged 39, joined the Company in November 2015 and was appointed as our company secretary on 24 May 2016. Mr. Lee is primarily responsible for financial management and control. He is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Mr. Chow Chi Keung, aged 43, was appointed as our company secretary and financial controller on 10 February 2014. He resigned as our company secretary on 24 May 2016 and remains as financial controller of NC Foundation and NC Engineering, both are wholly-owned subsidiaries of the Company. He is a member of Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in auditing, accounting and finance.

* *For identification purpose only*

REPORT OF DIRECTORS

The Board has pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Year (the "Consolidated Financial Statements").

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise foundation works, civil engineering construction, general building works, trading of construction materials and environmental protection. Details of the principal activities of the principal subsidiaries of the Company are set out in note 40 to the Consolidated Financial Statements. There were no significant changes in the nature of the principal activities of the Group during the Year.

Business Review

The revenue of the Group is wholly derived from the construction works conducted in Hong Kong and environmental protection in the PRC. An analysis of the Group's performance for the Year is set out in note 6 to the Consolidated Financial Statements.

A fair review of the business of the Group for the Year, including the important events affecting the Group that have occurred since the end of the Year and the likely future business development is set out in the section headed "Management Discussion and Analysis" on pages 6 to 20 of this annual report. This discussion form part of the report of directors.

Environmental Policies and Performance

For the sake of minimisation of the impact of our construction activities to the environment, the Group has adopted and implemented environmental protection policies and procedures to enable it to commit to the long term sustainability of the environment and communities in which it operates. During the Year, the Group has complied with all relevant environmental laws and regulations that have a significant impact on the Group's business where the Group is operating.

Details of the key laws and regulations that have a significant impact on the Group's business, their key scope and our compliance measures are outlined as the following table:

Laws and Regulations	Key scope	Compliance measures
Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)	Contractor must not sell or lease, or cause to be sold or leased, a regulated machine for use in Hong Kong unless the machine is approved or exempted	Applications for lease and use of regulated machine have been made and approval certificates for emission compliance were obtained
	Contractor must not use or cause to be used a regulated machine in any specified activity unless the machine is approved or exempted	The relevant approval label has been painted or securely fixed on the machine and is displayed at a conspicuous position, which is also properly maintained
Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)	Contractor is required to take dust reduction measures when construction work is being carried out	Compliance manual is in place for operational staff
		Regular briefing and training are conducted to enhance their awareness on the legislation
Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)	Controls construction noise ranges from:	Compliance manual is in place for operational staff
	(a) the use of powered mechanical equipment	Site supervisor is presented at the construction site
	(b) the carrying out of certain noisy works in designated areas	Construction noise permit has been obtained

Compliance with Laws and Regulations

The principal activities of the Group comprise foundation works, civil engineering construction, general building works, trading of construction materials and environmental protection. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. Save as disclosed under the headed "Environmental Policies and Performance" above, during the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

REPORT OF DIRECTORS

Principal Risks and Uncertainties

The business operations and results may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarised below:

1. **Macro-economic environment**
   The global economy and business environment have been dominated by the uncertainty in recent months. The global economy faces many challenges such as the possible increase in interest rate and slow recovery of the economy of the United States. Such challenges affect the property price in Hong Kong which may result in reduction of number of construction projects available for our tendering. Thus, it is vital for the Group to closely monitor the changes of the macroeconomic environment and diversify our business portfolio to secure value of our shareholders.

2. **Keen competition**
   Due to slowdown of Hong Kong economy, the competition of construction industry has become more intense as there will be a foreseeable reduction of number of construction projects available for our tendering. To increase the chance of success in winning the tender bidding, the Group will lower its profit margin, which will affect its profit for the coming year.

3. **Cost of construction materials**
   Steel is the essential and core material for our foundation work, which is the revenue driver of the Group. Starting from early 2016, the purchase price of steel increased by over 60% per tonne. The continuous increase in cost of construction materials will definitely lower the profit margin of the Group.

4. **Regulatory environment**
   Our business is subject to the environmental regulations issued by the Hong Kong Government. Such regulations may be revised from time to time and any changes to such regulations may increase our cost and burden in complying with them. The Hong Kong Government is now reviewing the disposal charges under Construction Waste Disposal Charging Scheme on the basis that various construction waste disposal charges relating to public fill reception facilities, landfills and sorting facilities will increase in line with the established fees and charges policy. Subject to the approval and the actual gazettal date, the new disposal charges may take effect in 2016/17. Upon implementation of the legislation, the profit of the Group will be adversely affected due to the increase in waste disposal charges.

Relationship with key parties

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

The Group's principal customers comprises the government, NGOs and private developers. The Group has well established operational and industry experience in foundation, civil engineering and general building work, which enables the Group to complete all our projects on schedule. Recognition from our sound track records, the Group has secured various sizeable new projects from public and private sectors. Our reputation and high standard of quality work enable the Group and the customers to achieve their profitability and sustainable growth.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its suppliers in order to create a win-win situation so that suppliers and the Group can have a vertical cooperation for reaching both of the business goals.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment with a variety of training programmes to our employees for career advancement. The key objective of our human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on our core business and explore attractive investment opportunities for achieving sustainable profit growth and rewarding the shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 36.44% (31 March 2016: 62.38%) of the total sales for the Year and sales to the largest customer included therein amounted to approximately 9.98% (31 March 2016: 19.88%). Purchases from the Group's five largest suppliers accounted for approximately 22.59% (31 March 2016: 61.84%) of the total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 9.37% (31 March 2016: 23.13%).

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued voting shares, had any close interests in any of the Group's five largest customers or suppliers during the Year.

Issue of Subscription Shares under the Subscription Agreement

On 25 July 2016, the Company entered into the subscription agreement (the "Subscription Agreement") with CEF Concept Holdings Limited and Go Million International Limited (the "Subscribers"). Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 80,000,000 ordinary shares of the Company at the subscription price of HK$2.1 per subscription share (the "Subscription Shares"). On 10 August 2016, the Company and the Subscribers entered into a supplemental deed to the Subscription Agreement in relation to the revision of certain provisions in the Subscription Agreement. The subscription was completed and the Subscription Shares were allotted and issued by the Company on 16 August 2016.

For further details, please refer to the announcements of the Company dated 25 July 2016, 10 August 2016 and 16 August 2016.

REPORT OF DIRECTORS

Issue of Consideration Shares under the General Mandate

On 2 November 2016, Max Charm (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company), as purchaser, entered into the acquisition agreement (the "Acquisition Agreement") with Qingqin International Group Limited (清勤國際集團有限公司), as vendor (the "Vendor") and Mr. Qi Kai (戚愷), as warrantor. Pursuant to the Acquisition Agreement the purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 1,275,000 ordinary shares or such number of ordinary shares of Clear Industry at the consideration of RMB87,975,000 (approximately HK$100,990,000), which will be satisfied (i) as to RMB43,987,500 (approximately HK$50,495,000) in cash; and (ii) as to RMB43,987,500 (approximately HK$50,495,000) by issue of 18,982,992 new ordinary shares of the Company (the "Consideration Shares"). The acquisition was completed and the Consideration Shares were allotted and issued by the Company on 14 December 2016.

For further details, please refer to the announcements of the Company dated 2 November 2016 and 14 December 2016.

Results and Appropriations

The results of the Group for the Year are set out in the Consolidated Financial Statements on pages 70 to 135.

The Board does not recommend a payment of a final dividend to the shareholders for the year ended 31 March 2017 (2016: nil).

Charitable Donations

Charitable and other donations made by the Group during the Year amounted to HK$8,000 (2016: HK$8,000).

Share Capital

The Company completed the allotment and issued 80,000,000 shares to 2 independent subscribers on 16 August 2016. In addition, a total of 18,982,992 consideration shares were issued on 14 December 2016 for partial payment of consideration in relation to the acquisition of 51% of the issued share capital of Clear Industry.

Details of movements in share capital of the Company during the Year are set out in note 31 to the Consolidated Financial Statements.

Equity-linked Agreements

On 30 March 2017, the Company and the fund(s) managed by the Chizhou CMS Zhong An Equity Investment Management Co., Ltd. and/or its affiliates, and/or a third party designated by Chizhou CMS Zhong An Equity Investment Management Co., Ltd, as subscriber (the "Subscriber"), entered into the principal terms of investment (the "Principal Terms of Investment"), pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the convertible bonds with an aggregate principal amount of not more than US$40,000,000 (the "Convertible Bonds"). Assuming all the Convertible Bonds are exercised in full at the conversion price of HK$3.50 per conversion share (subject to adjustments), 88,810,285 new ordinary shares of the Company will fall to be allotted and issued to the Subscriber (the "Conversion Share(s)").

Completion of the Principal Terms of Investment shall be conditional upon, *inter alia*:

(a) no major adverse change in the operation of the Company after signing of the Principal Terms of Investment;

(b) satisfactory due diligence, legal documentation and customary legal opinions to the Subscriber;

(c) internal approval from the investment committee of the Subscriber;

(d) receipt of the Company's final version of annual audit report for the financial year ending 31 March 2017 with unqualified opinion;

(e) all necessary consents and approvals as may be required having been obtained from the Shareholders;

(f) granting and permission from the listing division of the Stock Exchange; and

(g) all applicable laws and regulations (including the Listing Rules and the Codes on Takeovers and Mergers and Share Buy-Backs) having been complied with by each parties to the Principal Terms of Investment, and the Company having obtained all approval and consent for the conducting of transactions contemplated under the Principal Terms of Investment, and having performed all necessary legal procedures.

For further details, please refer to the announcements of the Company dated 31 March 2017. As at the date of this annual report, the completion of the Principal Terms of Investment has not taken place and no Conversion Share has been issued.

Save as disclosed above and in this annual report relating to the share option scheme of the Company and issuance of the consideration shares for the acquisition as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Reserves

Details of movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity.

Distributable Reserves

As at 31 March 2017, the Company's reserves available for distribution, subject to the compliance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and Company's articles of association, amounted to approximately HK$216.23 million (31 March 2016: HK$37.39 million).

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.

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF DIRECTORS

Directors and Directors' Service Contracts

The Directors who held office during the Year and up to the date of this report are:

Executive Directors:

Mr. Zhu Yongjun *(Chairman of the Board)*
(appointed as the Chairman of the Board and an executive Director on 24 May 2016)
Ms. Qin Shulan *(Chief Executive Officer)*
(appointed as an executive Director on 24 May 2016 and Chief Executive Officer on 27 February 2017)
Mr. Cai Jianwen
Mr. Chu Shu Cheong
(ceased to be the Chairman on 24 May 2016 and resigned as an executive Director on 29 November 2016)
Mr. So Kin Shing (resigned on 24 May 2016)
Ms. Lai Mun Yee (resigned on 24 May 2016)
Mr. Kwan Man Hay
(resigned as an executive Director and Chief Executive on 27 February 2017)

Non-executive Directors:

Dr. Zhang Lihui (appointed on 8 September 2016)
Mr. Chu Kingston Chun Ho (appointed on 8 September 2016)
Mr. Lam Kwei Mo (retired on 15 August 2016)

Independent Non-executive Directors:

Mr. Lo Chun Chiu, Adrian
Dr. Tong Ka Lok
Mr. Choy Wai Shek, Raymond, *MH, JP*

Other than Mr. Zhu Yongjun and Ms. Qin Shulan, each of the executive Directors and the newly appointed non-executive Director has entered into a service contract with the Company or a subsidiary of the Company for an initial term of three years. Mr. Zhu Yongjun subsequently entered into a service contract with the Group for a term of three years on 23 August 2016. Each of the independent non-executive Directors has also entered into a service contract with the Company for an initial term of two years. The aforesaid service contracts may be terminated by not less than three months' notice in writing served by either party on the other. All Directors shall be subject to retirement by rotation and re-election at an annual general meeting at least once every three years.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. In accordance with Article 112 of the Articles of Association of the Company, any director appointed by the Board to fill a casual vacancy during the Year shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Dr. Zhang Lihui and Mr. Chu Kingston Chun Ho, who were appointed by the Board, shall retire from office at the AGM in accordance with Article 112 of the Articles of Association of the Company. All the retiring Directors shall be eligible and offer themselves for re-election at the AGM of the Company.

In addition, Mr. Lo Chun Chiu, Adrian, Dr. Tong Ka Lok and Mr. Choy Wai Shek, Raymond, *MH, JP* shall retire from office by rotation at the annual general meeting to be held on 25 September 2017 (the "AGM") in accordance with Article 108(a) of the Articles of Association of the Company.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines during the Year.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group as at the date of this report are disclosed in the section headed "Biographical Details of the Directors and Senior Management on pages 21 to 25 of this annual report. Save as disclosed in the aforesaid section, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the last 3 years; (b) do not hold any other positions in the Group; and (c) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors' information of the Company are as follows:

Mr. Zhu Yongjun was appointed as Chairman of the board on 14 May 2016 with an initial monthly fee of HK$1, and subsequently changed as monthly salary of HK$150,000 since 23 August 2016.

Ms. Qin Shulan was appointed as the Chief Executive Officer on 27 February 2017.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Emoluments and Five Highest Paid Individuals

The Directors' emoluments are determined by the Board with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the directors' emoluments and the five highest paid individuals are set out in note 8 to the Consolidated Financial Statements.

REPORT OF DIRECTORS

Emolument Policy

A remuneration committee was set up by the Board to develop the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Connected Transaction

During the Year, the Group entered into certain related party transactions including connected transactions and continuing connected transactions, which are disclosed in note 23 to the Consolidated Financial Statements. Such transactions were conducted in the normal course of business.

On 28 February 2017 the board of directors of Josab International AB ("Josab"), a company incorporated under the laws of Sweden, the shares of which are listed on AktieTorget, a stock exchange in Sweden, resolved to offer rights shares to the existing shareholders via the rights issue at a subscription price of SEK2.15 per rights share.

The Group is interested in 3,184,443 shares of Josab' shares, representing approximately 5.6% of the issued share capital of Josab.

In February 2017, the Group exercised its subscription rights for the rights shares with the aggregate consideration of approximately SEK8,100,000 (equivalent to approximately HK$7,450,000). Upon completion of the rights issue, the Group now owns 6,963,432 Josab's shares, representing approximately 10.37% of the enlarged issued share capital of Josab.

Mr. Zhu Yongjun and Mr. Cai Jianwen, being the chairman of the Board and an executive Director respectively, are also the directors of Josab. Mr. Zhu Yongjun who is the beneficial owner of the entire issued share capital of Jumbo Grand Enterprise Development Limited, a substantial Shareholder of the Company, is the chairman of the board of directors of the Josab. Each of Mr. Zhu Yongjun and Mr. Cai Jianwen is a connected person of the Company under the Listing Rules. As Mr. Cai Jianwen and Mr. Zhu Yongjun together control the board of directors of Josab, as such Josab is their associate and connected person of the Company under the Listing Rules and the above transaction contemplated constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 1 March 2017.

Continuing Connected Transactions

On 13 December 2016, New Style Limited as landlord, entered into the tenancy agreements with New Concepts Foundation Limited and New Concepts Trading Limited, the wholly-owned subsidiaries of the Company respectively, in respect of the lease of the 2 premises, each for a term of three years commencing from 1 December 2016 to 30 November 2019.

New Style Limited is directly owned as to 75% by Mr. Chu Shu Cheong, who was a substantial shareholder of the Company and as to 25% by Mr. Kwan who was an executive Director of the Company during the Year. As such, New Style Limited is a connected person of the Company and the tenancy agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 13 December 2016 and 22 December 2016.

During the Year, an amount of approximately HK$1,249,000 was paid by the Group under the tenancy agreements for the office rental in relation to the lease of the 2 premises in Hong Kong.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the audit committee comprising 3 independent non-executive Directors, under the authority delegated by the Board, reviewed the aforesaid continuing connected transaction under the tenancy agreements.

All of the independent non-executive directors confirmed that:

The continuing connected transaction was entered into in the ordinary and usual course of business of the Group, and on normal commercial terms or better and which are no less favourable than those terms available from independent third parties, and the terms of the continuing connected transactions under the tenancy agreements are fair and reasonable and in the interest of the Company and the shareholders as a whole.

During the Year, the amounts of the continuing connected transaction under the tenancy agreements did not exceed the corresponding aggregate annual cap of HK$1,250,000 as previously disclosed in the announcement of the Company dated 13 December 2016.

Confirmation of Auditors of the Company

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Listing Rules" issued by the HKICPA. The external auditor issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange in accordance with the requirements of the Listing Rules.

Save as disclosed in note 23 to the Consolidated Financial Statements, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company, any of its subsidiaries its holding company or its fellow subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" and in this annual report relating to the share option scheme adopted by the Company, at no time during the Year was the Company, its parent company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of an acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

REPORT OF DIRECTORS

Permitted Indemnity Provision

Pursuant to Article 191 of the Articles of Association of the Company, the Directors, Managing Directors, alternate Directors, auditors, secretary and other officers for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. Such provision was in force during the Year and remained in force as of the date of this report. In addition, the Company has also maintained Directors and officers liability insurance during the Year.

Competition and Conflict of Interests

Saved and except of interests in the Group, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the Year.

Non-Competition Undertaking from Controlling Shareholders

Pursuant to the Non-Competition Deed dated 26 August 2014 ("Deed of Non-competition") entered into among the controlling shareholder in favour of the Company and its subsidiaries, each of the covenantors irrevocably and unconditionally undertakes with each member of our Group that the controlling shareholder shall not, and shall procure their associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group during the period commencing from 19 September 2014, the listing date to the date when the shareholding of the controlling shareholder ceases to own 30% or more of the issued share capital of the Company.

The controlling shareholder held approximately 25.83% and 15.33% of the issued share capital of the Company since 16 August 2016 and 14 December 2016, respectively. Accordingly, Deed of Non-Competition has lapsed from 16 August 2016.

Each of controlling shareholders (as defined in the Listing Rules) has provided a confirmation to the Company confirming that he and his associates have not breached the terms of the undertaking contained in the Deed of Non-competition for the period from 1 April 2016 to 15 August 2016, the day immediately before the shareholding of the controlling shareholder fell below the 30% of the issued share capital of the Company.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by each of the controlling shareholders, is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company for the period from 1 April 2016 to 15 August 2016.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136. This summary does not form part of the Consolidated Financial Statements.

Pledge of Assets

As at 31 March 2017, the Group pledged its operating concession and receivable under service concession arrangements of an aggregate amount of approximately HK$330,608,000 (31 March 2016: nil).

As at 31 March 2017, the Group pledged bank deposits of approximately HK$12.44 million (31 March 2016: nil) as collateral to secure banking facilities granted to the Group.

Share Option Scheme

Pursuant to the written resolutions passed by the sole shareholder of the Company on 26 August 2014, the Company has conditionally adopted the Share Option Scheme.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

Participants under the Share Option Scheme and basis of eligibility:

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

Principal terms of the Share Option Scheme

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 August 2014 and will remain in force until 25 August 2024 unless terminated earlier by the shareholders of the Company in general meeting. The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share on the date of grant of the option.

REPORT OF DIRECTORS

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, the Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.

The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit.

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting.

Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director) who is the grantee of the option).

Where any grant of options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by shareholders at a general meeting of the Company, with voting to be taken by way of poll.

On 24 October 2016, the Company granted share options to certain Directors, employees and consultant to subscribe for a total of 40,000,000 ordinary shares of HK$0.10 each in the share capital of the Company under the Share Option Scheme. The exercise price of each option is HK$2.58 per share with validity period of 3 years from 24 October 2016, being the date of grant, to 23 October 2019 (both days inclusive) and exercisable upon acceptance of the grant.

REPORT OF DIRECTORS

Details of movement of the share options granted under the Share Option Scheme during the Year are set out as follows:

Participants	Date of grant	Exercisable period	Exercise price HK$	Number of share options: Granted during the Year and Outstanding as at 31 March 2017	Closing price per share immediately before the date of grant of option
Directors					
Mr. Zhu Yongjun	24.10.2016	24.10.2016 to 23.10.2019	2.58	480,000	2.57
Ms. Qin Shulan	24.10.2016	24.10.2016 to 23.10.2019	2.58	10,170,000	2.57
Mr. Cai Jianwen	24.10.2016	24.10.2016 to 23.10.2019	2.58	6,780,000	2.57
Mr. Chu Kingston Chun Ho	24.10.2016	24.10.2016 to 23.10.2019	2.58	480,000	2.57
Mr. Lo Chun Chiu, Adrian	24.10.2016	24.10.2016 to 23.10.2019	2.58	480,000	2.57
Dr. Tong Ka Lok	24.10.2016	24.10.2016 to 23.10.2019	2.58	480,000	2.57
Mr. Choy Wai Shek, Raymond, *MH, JP*	24.10.2016	24.10.2016 to 23.10.2019	2.58	480,000	2.57
Other employees and consultant	24.10.2016	24.10.2016 to 23.10.2019	2.58	20,650,000	2.57
Total				40,000,000	

Apart from the aforesaid Share Option Scheme, at no time during the Year and up to the date of this report the Company or any associated corporation was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

REPORT OF DIRECTORS

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

	Interests in ordinary shares						
Name of directors	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Zhu Yongjun (Note 1)	—	—	77,000,000	77,000,000	480,000	77,480,000	15.52%
Chu Kingston Chun Ho (Note 2)	—	—	24,600,000	24,600,000	480,000	25,080,000	5.02%
Dr. Zhang Lihui	48,000	—	—	48,000	—	48,000	0.001%
Ms. Qin Shulan	—	—	—	—	10,170,000	10,170,000	2.03%
Ms. Cai Jianwen	—	—	—	—	6,780,000	6,780,000	1.35%
Mr. Lo Chun Chiu Adrian	—	—	—	—	480,000	480,000	0.01%
Mr. Tong Ka Lok	—	—	—	—	480,000	480,000	0.01%
Mr. Choy Wai Shek, Raymond. *MH, JP*	—	—	—	—	480,000	480,000	0.01%

Notes:

1. The 77,000,000 shares are beneficially held by Jumbo Grand Enterprise Development Limited ("Jumbo Grand"). Mr. Zhu Yongjun owns 100% of the issued voting shares of Jumbo Grand. Mr. Zhu Yongjun is deemed or taken to be interested in all the shares which are beneficially owned by Jumbo Grand for the purpose of the SFO. Mr. Zhu Yongjun is the Chairman of the Board and an executive Director of the Company and is the brother-in-law of Mr. Allan Warburg, an ultimate beneficial owner of Simple Gain International Limited, a shareholder of the Company.

2. The 24,600,000 shares are beneficially held by Go Million International Limited ("Go Million"). Mr. Chu Kingston Chun Ho owns 100% of the issued voting shares of Go Million. Mr. Chu Kingston Chun is deemed or taken to be interested in all the shares which are beneficially owned by Go Million for the purpose of the SFO.

(ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of shares held	% of the issued voting shares of associate corporation
Zhu Yongjun	Jumbo Grand	Interest in controlled corporation	10,000	100%
Chu Kingston Chun Ho	Go Million	Interest in controlled corporation	100	100%

Save as disclosed above, as at 31 March 2017 none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 31 March 2017, the following person (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of any class of issued shares carrying rights to vote in all circumstances at general meetings of any member of the Group:

REPORT OF DIRECTORS

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Jumbo Grand Enterprise Development Limited (Note 1)	Beneficial owner	77,000,000	15.43%
Prosper Power (Note 2)	Beneficial owner	76,500,000	15.33%
Chu Shu Cheong (Note 2)	Interest in a controlled corporation	76,500,000	15.33%
Simple Gain International Limited (Note 3)	Beneficial owner	40,000,000	8.01%
Allan Warburg Holdings Limited (Note 3)	Interest in a controlled corporation	40,000,000	8.01%
Warburg Allan (Note 3)	Interest in a controlled corporation	40,000,000	8.01%
Kingston Finance Limited (Notes 2 and 4)	Person having a security interest in shares	76,500,000	15.33%
Ample Cheer Limited (Notes 2 and 4)	Interest in a controlled corporation	76,500,000	15.33%
Best Forth Limited (Notes 2 and 4)	Interest in a controlled corporation	76,500,000	15.33%
Chu Yuet Wah (Notes 2 and 4)	Interest in a controlled corporation	76,500,000	15.33%
CEF Concept Holdings Limited (Note 5)	Beneficial owner	55,400,000	11.10%
CEF IV Holdings Limited (Note 5)	Interest in a controlled corporation	55,400,000	11.10%
China Environment Fund IV, L.P. (Note 5)	Interest in a controlled corporation	55,400,000	11.10%
CEF IV Management, L.P. (Note 5)	Interest in a controlled corporation	55,400,000	11.10%
CEF IV Management, Ltd. (Note 5)	Interest in a controlled corporation	55,400,000	11.10%
Wu Yeyang (Note 5)	Interest in a controlled corporation	55,400,000	11.10%
Go Million (Note 6)	Beneficial owner	24,600,000	4.93%

Notes:

1. Jumbo Grand is wholly-owned by Mr. Zhu Yongjun who is the Chairman of the Board and an executive Director of the Company. Accordingly, Mr. Zhu Yongjun is deemed to be interested in the 77,000,000 shares held by Jumbo Grand for the purpose of the SFO.

2. The 76,500,000 shares are beneficially owned by Prosper Power Group Ltd ("Prosper Power") which is owned as to 75% by Mr. Chu Shu Cheong (who has resigned as an executive director on 29 November 2016). Mr. Chu Shu Cheong is deemed or taken to be interested in all the shares which are beneficially owned by Prosper Power. Mr. Chu Shu Cheong is also a director of Prosper Power.

3. Simple Gain International Limited is wholly-owned by Allan Warburg Holdings Limited, which is in turn wholly-owned by Mr. Warburg Allan. Accordingly, Allan Warburg Holdings Limited and Mr. Warburg Allan are deemed to be interested in the 40,000,000 shares held by Simple Gain International Limited for the purpose of the SFO. Mr. Warburg Allan is the brother-in-law of Mr. Zhu Yongjun, the Chairman of the Board and an executive Director of the Company.

4. The 76,500,000 shares are beneficially owned by Prosper Power and had been pledged to Kingston Finance Limited as pledgee to secure a loan granted to Prosper Power. Kingston Finance Limited is wholly-owned by Ample Cheer Limited, which is in turn owned as to 80% by Best Forth Limited, which is wholly-owned by Ms. Chu Yuet Wah. Accordingly, Ample Cheer Limited, Best Forth Limited and Ms. Chu Yuet Wah are deemed to be interested in all shares held by Kingston Finance Limited.

5. CEF Concept Holdings Limited is wholly-owned by CEF IV Holdings Limited, which is in turn owned as to 92.55% by China Environment Fund IV, L.P., an investment fund incorporated in the Cayman Islands. CEF IV Management, L.P. is the general partner of China Environment Fund IV, L.P., and CEF IV Management, Ltd. is the general partner of CEF IV Management, L.P.. Therefore, by virtue of Part XV of the SFO, CEF IV Holdings Limited, China Environment Fund IV, L.P., CEF IV Management, L.P. and CEF IV Management, Ltd. are all deemed to be interested in the 55,400,000 shares of the Company held by CEF Concept Holdings Limited, CEF IV Management, Ltd. is wholly-owned by Wu Yeyang. Accordingly, Wu Yeyang is also deemed to be interested in the 55,400,000 shares of the Company held by CEF Concept Holdings Limited for the purpose of the SFO.

6. Go Million is wholly-owned by Mr. Chu Kingston Chun Ho. Accordingly, Mr. Chu Kingston Chun Ho is deemed to be interested in the 24,600,000 shares held by Go Million for the purpose of the SFO.

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company" above, as at 31 March 2017, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the Year.

Closure of the Register of Members

The register of members of the Company will be closed from 19 September 2017 to 25 September 2017 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 September 2017.

REPORT OF DIRECTORS

Events After the Reporting Period

Save as disclosed under the sections headed "Management Discussion and Analysis" above, there is no significant event after the reporting period of the Group.

Auditor

Wellink CPA Limited ("Wellink") retire and a resolution to re-appoint Wellink as auditor of the Company will be proposed at the forthcoming AGM of the Company.

By order of the Board
New Concepts Holdings Limited

Zhu Yongjun
Chairman and Executive Director

Hong Kong, 29 June 2017

CORPORATE GOVERNANCE REPORT

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.

Save as disclosed in the paragraph headed "The Board of Directors", the Board considers that the Company has complied with all provisions of the CG Code and the Listing Rules.

The Board of Directors

Composition and Responsibilities

As at 31 March 2017, the Board comprises eight directors ("Directors"), of which three are executive Directors, two are non-executive Directors, and three are independent non-executive Directors of the Company. The composition of the Board throughout the Year is as follows:

Executive Directors:

Mr. Zhu Yongjun *(Chairman of the Board)*
(appointed as the Chairman of the Board and an executive Director on 24 May 2016)
Ms. Qin Shulan *(Chief Executive Officer)*
(appointed as an executive Director on 24 May 2016 and Chief Executive Officer on 27 February 2017)
Mr. Cai Jianwen
Mr. Chu Shu Cheong
(ceased to be the Chairman on 24 May 2016 and resigned as an executive Director on 29 November 2016)
Mr. So Kin Shing (resigned on 24 May 2016)
Ms. Lai Mun Yee (resigned on 24 May 2016)
Mr. Kwan Man Hay
(resigned as an executive Director and Chief Executive on 27 February 2017)

Non-executive Directors:

Dr. Zhang Lihui (appointed on 8 September 2016)
Mr. Chu Kingston Chun Ho (appointed on 8 September 2016)
Mr. Lam Kwei Mo (retired on 15 August 2016)

Independent Non-executive Directors:

Mr. Lo Chun Chiu, Adrian
Dr. Tong Ka Lok
Mr. Choy Wai Shek, Raymond, *MH, JP*

CORPORATE GOVERNANCE REPORT

On 24 May 2016, Mr. Zhu Yongjun was appointed as the Chairman of the Board and an executive Director. On the same day, Ms. Qin Shulan was appointed as executive Directors, each of Mr. So Kin Shing and Ms. Lai Man Yee resigned as executive Directors and Mr. Chu Shu Cheong ceased to be the Chairman of the Board.

Mr. Lam Kwei Mo did not offer himself for re-election and retired as a non-executive Director upon the conclusion of the annual general meeting held on 15 August 2016.

On 8 September 2016, Dr. Zhang Lihui and Mr. Lam Kwei Mo were appointed as non-executive Directors of the Company; while Mr. Chu Shu Cheong resigned as an executive Director on 29 November 2016.

On 27 February 2017, Mr. Kwan Man Hay resigned as an executive Director and Chief Executive of the Company. On the same day, Ms. Qin Shulan was appointed as the Chief Executive Officer of the Company.

Save as disclosed above, there was no change in the composition of the Board during the Year.

The biographical details and responsibilities of the Directors as well as the senior management as at 31 March 2017 are set out in the section "Biographical Details of the Directors and Senior Management" on pages 21 to 25.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The executive Directors constituting Chief Executive Officer and the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non- executive Directors contribute valuable views and proposals for the Board's deliberation and decisions.

The Company has throughout the Year met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise.

During the Period between 8 September 2016 and 28 November 2016, the number of independent non-executive Directors fell below the minimum number of one-third of the Board as required under the Listing Rules, and there were ten Directors with three independent non-executive Directors till 28 November 2016. Following the resignation of Mr. Chu Shu Cheong as an executive Director on 29 November 2016, the Board comprises nine Directors, among them three are independent non-executive Directors.

Save as disclosed above, at all times during the Year, the independent non-executive Directors represent at least one-third of the Board.

Each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence prior to their respective appointment. The Company has also received a written confirmation from each of the independent non-executive

Directors in respect of their independence for the Year. The Board considers that all independent non-executive Directors are being considered to be independent with reference to the factors stated in the Listing Rules during the Year.

Throughout the Year, the roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Zhu Yongjun was appointed as the Chairman of the Board and Mr. Chu Shu Cheong ceased to be the Chairman on 24 May 2016. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities.

Ms. Qin Shulan was appointed as the Chief Executive Officer and Mr. Kwan Man Hay ceased to be the Chief Executive on 27 February 2017. The Chief Executive Officer is responsible for the strategic planning and overseeing business operations of the Group including environmental protection business.

Other matters reserved for the Board include consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties. The Company will consider to develop a written procedure to enable Directors, and members of all Board Committees upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings have been held during the Year for approving the acquisitions of business, grant of share options, subscription and issue of shares and change of Directors of the Company, etc. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

During the Year, a total of 22 Board meetings were held. Various meetings of remuneration committee, nomination committee and audit committee have also been held. The Chairman has met with independent non-executive Directors without the presence of the executive directors.

CORPORATE GOVERNANCE REPORT

Directors' Attendance at the Board/Board Committee Meetings

Below are details of all Directors' attendance at the board meeting, board committee meetings held during the Year:

	Number of Meetings Attended/Held				
Name of Director	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Non-executive Directors:					
Mr. Zhu Yongjun (note 1)	18/22	N/A	4/7	N/A	1/1
Ms. Qin Shulan (note 2)	9/22	N/A	N/A	N/A	1/1
Mr. Cai Jianwen	20/22	N/A	N/A	5/8	1/1
Mr. Chu Shu Cheong (note 3)	2/22	N/A	2/7	N/A	0/1
Mr. Kwan Man Hay (note 4)	17/22	N/A	N/A	2/8	1/1
Mr. So Kin Shing (note 5)	2/22	N/A	N/A	N/A	0/1
Ms. Lai Mun Yee (note 6)	2/22	N/A	N/A	N/A	0/1
Non-executive Directors:					
Dr. Zhang Lihui (note 7)	11/22	N/A	N/A	N/A	0/1
Mr. Chu Kingston Chun Ho (note 7)	1/22	N/A	N/A	N/A	0/1
Mr. Lam Kwei Mo (note 8)	6/22	N/A	N/A	N/A	0/1
Independent Non-executive Directors:					
Mr. Lo Chun Chiu, Adrian	21/22	4/4	7/7	8/8	1/1
Dr. Tong Ka Lok	17/22	4/4	6/7	6/8	1/1
Mr. Choy Wai Shek, Raymond, *MH, JP*	22/22	4/4	7/7	8/8	1/1

Notes:

1. Mr. Zhu Yongjun was appointed as the Chairman of the Board and an executive Director on 24 May 2016. Two board meetings were held before his appointment.

2. Ms. Qin Shulan was appointed as an executive Director on 24 May 2016. Two board meetings were held before her appointment.

3. Mr. Chu Shu Cheong resigned as an executive Director on 29 November 2016.

4. Mr. Kwan Man Hay resigned as an executive Director on 27 February 2017.

5. Mr. So Kin Shing resigned as an executive Director on 24 May 2016.

6. Ms. Lai Mun Yee resigned as an executive Director on 24 May 2016.

7. Dr. Zhang Lihui and Mr. Chu Kingston Chun Ho were appointed as non-executive Directors on 8 September 2016. Eleven board meetings were held before his appointment.

8. Mr. Lam Kwei Mo retired as a non-executive Director on 15 August 2016

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

All directors are also entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors shall receive a prompt and full response by the management.

Appointment, Re-election and Removal

Other than Mr. Zhu Yongjun and Ms. Qin Shulan, each of the executive Directors and the newly appointed non-executive Director has entered into a service contract with the Company for an initial term of three years. Mr. Zhu Yongjun subsequently entered into a service contract with the Group for a term of three years on 23 August 2016. Each of the independent non-executive Directors has also entered into a service contract with the Company for an initial term of two years. The aforesaid service contracts may be terminated by not less than three month's notice in writing served by either party on the other.

In accordance with the articles of association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting of the Company, at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders of the Company in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines 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.

CORPORATE GOVERNANCE REPORT

Specific enquiries have been made with all Directors, and all Directors confirmed in writing that they have complied with the required standard set out in the Model Code regarding their securities transactions for the Year.

Induction and Continuous Professional Trainings of Directors

Each of the newly appointed Directors, namely Mr. Zhu Yongjun, Ms. Qin Shulan, Dr. Zhang Lihui and Mr. Chu Kingston Chun Ho has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the requirement of the Listing Rules and relevant statutory obligations.

The Directors have also been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development.

During the Year, there was one in-house training conducted covering the topics of connected transactions, directors' duties and responsibilities, corporate governance practices, independence of independent non-executive directors, disclosure requirements under the Listing Rules and SFO.

All Directors has attended the continuous professional development training and below are details of all Directors' attendance on training during the Year and up to the date of this report.

	Attendance/Numbers of in-house seminars
Executive Directors:	
Mr. Zhu Yongjun	1
Ms. Qin Shulan	2
Mr. Cai Jianwen	1
Mr. Chu Shu Cheong (note 1)	0
Mr. Kwan Man Hay (note 1)	0
Mr. So Kin Shing (note 1)	0
Ms. Lai Mun Yee (note 1)	0
Non-executive Directors:	
Dr. Zhang Lihui	1
Mr. Chu Kingston Chun Ho	2
Mr. Lam Kwei Mo	0
Independent Non-executive Directors:	
Mr. Lo Chun Chiu, Adrian	1
Dr. Tong Ka Lok	1
Mr. Choy Wai Shek, Raymond, *MH, JP*	1

Note:

1. Each of Mr. Chu Shu Cheong, Mr. Kwan Man Hay, Mr. So Kin Shing and Ms. Lai Mun Yee resigned during the Year and did not attend any training.

Board Committees

Audit Committee

The audit committee of the Company was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with its 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.

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, risk management and internal control principles and 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, risk management and internal control procedures and ensure that the management has discharged its duties to have an effective risk management and internal control systems.

The composition of the audit committee throughout the Year is as follows:

Dr. Tong Ka Lok *(Chairman)*
Mr. Lo Chun Chiu, Adrian
Mr. Choy Wai Shek, Raymond, *MH, JP*

None of the members of the audit committee is a former partner of the Company's existing auditing firm. Dr. Tong Ka Lok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the audit committee.

During the Year, the audit committee held 4 meetings. Details of the attendance of the members of the audit committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

The 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 reports of the Company;
- reviewed and examined the calculations of the discounted future estimated cash flows in respect of the disclosure transactions for acquisitions and capital injection;
- reviewed and approved audit fee;
- recommended the re-appointment of Wellink CPA Limited as auditor, subject to the Shareholders' approval at the annual general meeting;
- reviewed the effectiveness of the Company's risk management and internal control systems including the internal audit function; and
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Board established the remuneration committee on 26 August 2014 with written terms of reference in compliance with the relevant CG Code. The latest written terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for, inter alia, formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee throughout the Year is as follows:

Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman)*
Dr. Tong Ka Lok
Mr. Lo Chun Chiu, Adrian
Mr. Cai Jianwen (appointed on 24 May 2016)
Mr. Kwan Man Hay (resigned on 24 May 2016)

During the Year, the remuneration committee held 8 meetings. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/ Board Committee Meetings" above.

The summary of work of the remuneration committee during the Year is as follows:

- reviewed and recommended to the Board on the Group's remuneration policy and strategy;

- reviewed and recommended to the Board on the remuneration packages of the executive Directors, non-executive Directors, independent non-executive Directors and senior management during the Year; and

Nomination Committee

The Board established the nomination committee on 26 August 2014 with written terms of reference in compliance with the relevant CG Code. The latest written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the nomination committee throughout the Year is as follows:

Mr. Lo Chun Chiu, Adrian *(Chairman)*
Mr. Choy Wai Shek, Raymond, *MH, JP*
Dr. Tong Ka Lok
Mr. Zhu Yongjun (appointed on 24 May 2016)
Mr. Chu Shu Cheong (resigned on 24 May 2016)

During the Year, the nomination committee held 7 meetings. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/ Board Committee Meetings" above.

The summary of work of the nomination committee during the Year is as follows:

- reviewed the existing Board's structure, size and composition;
- reviewed and made recommendation on the appointment on non-executive Directors;
- reviewed and assessed the independence of the independent non-executive Directors; and
- made recommendation on the retiring Directors at the 2017 AGM of the Company.

Board diversity policy

The Company recognises the benefits of having diversity in the composition of the Board and adopted its own board diversity policy on 26 August 2014.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

CORPORATE GOVERNANCE REPORT

Corporate Governance Function

During the Year, the Board has reviewed the corporate governance practices of the Company with reference to Appendix 14 to the Listing Rules. The summary of their work during the Year is as follows:

- developed and reviewed the Company's policies and practices on corporate governance and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

Remuneration of Directors and Senior Management

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of non-executive Director and independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for the preparation of the Financial Statements for the Year which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 65 and 69.

External Auditor's Remuneration

During the Year, the Group engaged Wellink CPA Limited as external auditor of the Company. The fee in respect of audit services and non-audit services provided by Wellink for the Year were as follows:

Nature of services	Amount HK$'000
Audit services in relation to annual results	1,350
Review of interim results	235
Non-audit services	5

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditor for annual audit services is reasonable. There has been no major disagreement between the auditor and the management of the Company during the Year.

Risk Management and Internal Control Systems

The Board has overall responsibility for the effective risk management and internal control systems of the Group and committed to the maintenance of good corporate governance, practices and procedures of the Group. The Board also admitted the effectiveness of the existing risk management and internal control systems during the Year. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss. Nevertheless, the management is authorized to engage an external professional service provider to conduct review on the Group's policies and make recommendations for the improvement and strengthening of the risk management and internal control systems during the Year.

Effectiveness

The Board has overall responsibility for evaluating, determining, establishing and maintaining an effective risk management and internal control systems of the Group and for reviewing its effectiveness to safeguard the Company's assets and the shareholders' interests. During the Year, the Board and the audit committee of the Company, through the engagement of external professional consultant, have conducted a review on the effectiveness of Group's risk management and internal control systems.

The Board has overseen the management in the design, implementation and monitoring of the risk management and internal control systems, and has reviewed the effectiveness on the Group's certain policies during the Year.

The Board identified and evaluated the risks and analysed the core risks within the Group to mitigate related risks arising from the existing operations after evaluating its risk management and internal controls systems.

CORPORATE GOVERNANCE REPORT

The key risk management and internal control procedures of the Company are as follows:

1. determine the scope, identify the risks and compile a list of such risks;

2. evaluate and prioritise the risks based on the possible financial loss and impact on operating efficiency, sustainability and reputation;

3. identify the risk control measures against major risks, conduct internal control assessments of the design and implementation of such measures, and formulate measures to improve any defect;

4. review and evaluate the risk management and internal control systems on an ongoing basis and ensure the constant improvement of the risk management system; and

5. report the findings to the audit committee and the board of directors.

Based on the review report from external professional consultant, the Board confirmed that the Group's risk management and internal controls systems were acceptable and there was no material non-compliance or failures issues located but various areas for improvement have been identified during the Year. Certain remedial measures have been and will be taken to strengthen the risk management and internal control systems of the Group.

The Group reviewed the effectiveness of its risk management and internal control systems at least annually. The Board and the audit committee also considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting are reasonably conducted and implemented.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Securities and Futures Ordinance (the "SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours under the SFO.

Briefing and training on the implementation of the disclosure policy have been provided to Directors and senior management of the Group.

Delegation by the Board

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the audit committee, remuneration committee and nomination committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the chief executive and executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

Non-Competition Undertaking from Controlling Shareholders

Pursuant to the Non-Competition Deed dated 26 August 2014 ("Deed of Non-Competition") entered into among the controlling shareholder in favour of the Company and its subsidiaries, each of the covenantors irrevocably and unconditionally undertakes with each member of our Group that the controlling shareholder shall not, and shall procure their associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group during the period commencing from 19 September 2014, the listing date to the date when the shareholding of the controlling shareholder ceases to own 30% or more of the issued share capital of the Company.

The controlling shareholder held approximately 25.83% and 15.33% of the issued share capital of the Company since 16 August 2016 and 14 December 2016, respectively. Accordingly, Deed of Non-Competition has lapsed from 16 August 2016.

Each of controlling shareholders (as defined in the Listing Rules) has provided a confirmation to the Company confirming that he and his associates have not breached the terms of the undertaking contained in the Deed of Non-competition for the period from 1 April 2016 to 15 August 2016, the day immediately before the shareholding of the controlling shareholder fell below the 30% of the issued share capital of the Company.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by each of the controlling shareholders, is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company for the period from 1 April 2016 to 15 August 2016.

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Lee Tsi Fun Nicholas ("Mr. Lee") was appointed to replace Mr. Chow Chi Keung as company secretary of the Company on 24 May 2016. During the Year, Mr. Lee undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

Changes in Constitutional Documents

During the Year, there has been no changes in the constitutional documents of the Company.

Shareholders' Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 64 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 113 of the Articles of Association provides that no person, other than a retiring Director shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Accordingly, if a shareholder of the Company wishes to propose a person other than a retiring Director for election as a Director at the Company's general meeting, he/she should attend the following:

- prepare a notice in writing of his/her intention to propose a person for election as a Director.

- The person proposed for election as a Director shall also prepare a notice in writing of his/her willingness to be elected.

- Such notices shall be lodged at the head office of the Company at 11/F, 8 Queen's Road Central, Hong Kong or at the address of Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at http://www.primeworld-china.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company at our head office in Hong Kong at 11/F, 8 Queen's Road Central, Hong Kong or by email through the Company's website at http://www.primeworld-china.com.

Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at http://www.primeworld-china.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular, financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming AGM of the Company is scheduled to be held on 25 September 2017. At the AGM, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditor shall also present and available to answer questions at the meeting.

The notice of AGM and the necessary information on issues to be considered in the AGM will be set out in the circular to be dispatched to the shareholders of the Company in due course.

Hong Kong, 29 June 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability issues are evolving and initiatives are growing all around the world. Megatrends like climate change, water scarcity, occupational health and talent retention mean needs of the Group's stakeholders constantly changing. This stimulates the Group to innovate continually and respond through new ways of working. Environmental, Social and Governance ("ESG") reporting has become an established component of communication to stakeholders that complements financial reporting.

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility into its business strategy and management approach. This report aims to provide the Group's stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its daily operations. This report also provides a view at the Group's sustainability priorities and practices as well as potential areas to embed sustainability concepts across our services and operations. The Group is devoted to bring positive impacts to the environment and the community.

The ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the ESG Guide) under Appendix 27 of the Listing Rules, complied with the "comply or explain" provisions set out in the ESG Guide for the year ended 31 March 2017, covering the operations of the Group.

Materiality Assessment and Stakeholder Engagement

Due to a wide range of topics for disclosure, the Group has rolled out a list of potential material issues, aiming at prioritising significant and material topics. Significant and material topics are those that may be considered important and relevant for reflecting the Group's sustainability impacts, or those topics substantively influence the assessments and decisions of stakeholders, or those topics which are commonly reported in the construction sector, in both short-term and long-term. Therefore, the Group conducted a materiality assessment to define the significant and material issues. On the other hand, the Group engaged a number of prioritised stakeholders to understand the issues they are concerned. In order to incorporate the views from the stakeholders and develop mutual communications on the Group's sustainability performance, the Group keeps exploring possible channels for continuous and ongoing engagement with a broad array of stakeholders including suppliers, employees, consultants and local communities. The Group believes that stakeholder engagement is fundamental to successful business and the engagement serves as a vital tool to develop an understanding of what sustainability means for the Group, and more importantly, how it can add value and viability to the Group's operations.

Environmental

Climate change, with mounting evidence of climate impact, leads to some gloomy prognoses and challenges. Hazardous air pollutants are those known to cause serious health impacts. Moreover, environmental degradation reduces the overall amount of a limited natural resource, resulting resources scarcity. Ecosystem destruction and other environmental problems are also worsening. These environmental issues might trigger more stringent regulations or growing concerns over a variety of environmental issues such as water security, noise nuisance and uses of environmentally friendly materials. In Hong Kong, there are several environmental legislations applicable to the Group's business, including Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354), Water Pollution Control Ordinance (Cap. 358) as well as Noise Control Ordinance (Cap. 400). It is foreseen that stringent requirements will be imposed. For instance, charges will be increased under the Construction Waste Disposal Charging Scheme. The need for explicit considerations and incorporation of environmental strategy within the Group's corporate strategy has never been more critical. Increasingly stringent environmental regulations have the potential to increase operating costs and affect the profitability. The Group has launched various policies and has closely monitored the regulatory as well as the market requirements to tackle the environmental challenges.

Save as disclosed in the paragraph headed "Environmental Policies and Performance" to this annual report, the Group had complied with relevant terms and regulations that have a significant impact on the issuer in relation to emissions of part A1 of The ESG Guide.

Environmental Policy

Construction activities could bring environmental impacts in various aspects, for instance, exhaust from fuel combustion, dust from construction works and waste water discharge. Hence, the Group has established an Environmental Policy Statement. Pursuant to the Group's Environmental Policy Statement, the Group is committed to strictly comply with applicable statutory, contractual and other environmental requirements to prevent or minimise the environmental nuisance of air, noise, waste water and waste during the course of works. According to the Environmental Policy Statement, the Group implements environmental nuisance abatement, obtains and renews the necessary environmental licenses, as well as prevents wasting energy. In the light of the foundation engineering works, excavation is required and sites shall be cleared of vegetation, brushwood or stumps of trees. Advanced technology is adopted to handle fallen trees during construction works, thereby facilitating effective implementation of recycling the nature resources.

The Group believes that joint efforts from every one synergise positive influences to the environment. The Group not only encourages our employees to accomplish the environmental duties, but also our suppliers and sub-contractors to do so.

Environmental Management System

The Group implements an Integrated Management System (IMS), representing the integration of ISO 9001, ISO 14001 and OHSAS 18001 management systems. IMS Policy statement is reviewed and approved annually in management review meeting. IMS objectives are applicable to all the employees from different departments. Out of these three management systems, ISO 14001 is the environmental management system aimed at minimising the environmental footprint, bolstering efficient uses of natural resources and monitoring the environmental performance of the Group.

With sustainability as a core consideration, the Group is conscientious in introducing effective mitigation approaches. One of the highlighted achievements of the Group is to adopt the ISO 50001 management system, an energy management system (EnMS) supporting a comprehensive evaluation of energy consumption and the ongoing improvement of energy efficiency. Under the EnMS, top management of the Group shall demonstrate its commitment to support the system and to continually improve its effectiveness through appointing a management representative and providing sufficient resources. An energy baseline and energy performance indicators were established to measure and monitor the energy performance and improvements. The Group provides appropriate trainings, communicates with regard to its energy performance and EnMS internally, and performs documentation to ascertain effective implementation. For the sake of performance evaluation, internal audits at planned intervals would be conducted, where an audit plan and schedule would be developed taking into consideration the status, importance of the processes, areas to be audited as well as the results of previous audits. Thanks to the EnMS implementation, the greenhouse gas (GHG) emissions and energy consumption of the Group are reduced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Apart from energy efficiency initiatives, the Group pays attention to water pollution and waste management. Surface runoff and wastewater discharged from construction sites can elicit environmental pollution by degrading water quality in the surrounding stream or local storm drain system. The Group is devising a water recycling program for construction sites, which might involve a carefully planned temporary drainage channel that could collect surface runoff at different locations of the site for water reuse. In addition, the Group is investigating some potential waste reduction measures, such as plan for recovering construction and demolition materials.

The Environment and Natural Resources

In view of the Group's business, construction noise is one of the significant impacts on the environment. The Group provides sufficient resources and facilities for the implementation reducing the noise environmental nuisance to meet the regulatory requirements laid down by the Noise Control Ordinance. Moreover, the Group will explore opportunities to adopt good site practices in greater extent to address the noise concerns. These practices include sheet piling noise reducer, siting noisy equipment and activities as far from sensitive receivers as practical, throttling down idle equipment, reducing the numbers of concurrently operating equipment and utilising silencers or mufflers on construction equipment. Furthermore, the Group is considering to introduce sustainable procurement considerations into the procurement policy.

In recognition of the Group's environmental endeavours, the Group was received the Hong Kong Green Awards 2016 by the Green Council, reflecting our achievement and outstanding performance on Green Management.

In response to the evolving challenges and stakeholders' expectations in environmental issues, the Group will closely monitor the trends to make prompt response and formulate effective strategies.

Employment and Training

Given the ageing and shortage of construction workforce, human capital continues to be vital for the construction industry. The Group values the contributions that each employee brings to the Group. None of the work that the Group performs would be possible without the dedication, talent, knowledge and skills of the employees. The Group strives to provide a work culture that supports training and development, foster workplace inclusion and equality, and cultivate employee fulfillment.

The Group fully observes the requirements in accordance with the labour legislations such as Employment Ordinance, and emphasises on equal opportunity for employment and promotion, regardless of race, gender, family background as well as marital status. Employment of child labour is strictly prohibited. In terms of general employment policy, the Group provides employee benefits including health insurance, retirement savings plans and financial support for continuing education.

The Group is devoted to empowering employees to grow and to nurture their potential, thereby establishing a training policy. There are mainly two types of training, namely, in-house training and external training, where the external training is related to Integrated Management System, safety and environmental, as well as Technical. For instance, technical staff should attend Continuous Professional Development (CPD) trainings organised by appropriate institutions such as Hong Kong Institution of Engineers. To cope with evolving requirements and industry practices, the Group encourages our employees to expand capabilities via attending different training programmes such as BEAM Professionals and BEAM Affiliates training and examination organised by the Hong Kong Green Building Council Limited, or WELL Building Standard governed by the International WELL Building Institute (IWBI). The Group believes that our success depends upon our support of a diverse workforce that is continuously learning and growing.

Additionally, the Group will study how to modify the employment and training policy, for example, addressing concerns over racial discrimination, inequality and harassment.

Occupational Health and Safety

Health and safety always remain at the forefront of the Group's concerns, along with our aims at continuous reduction of accidents in terms of both severity and frequency. By implementing OHSAS 18001, which is an internationally recognised occupational, health and safety management system, the Group demonstrates conformity with relevant occupational health and safety standard, monitors performance, identifies risks, implements programmes and continually improves the system. Under the management system, adequate supervision is provided to ensure safety policy and measures are effectively executed. Auditing is carried out so as to check performance against agreed standards to find out betterment areas. On the other hand, employees are required to attend safety training courses and regularly renew permits. They are encouraged to attend seminars on safety and health issues, for instance, requirements on working in times of inclement weather, healthy life style and so on.

The Group is committed to ascertain that employees, business partners and clients are safe. Preventing work-related accidents and health injury are of paramount importance. To pursuing safety at working environments, the Group will encourage our engineers to seek safer designs and construction methods, or try to introduce innovation in safety trainings.

Supply Chain Management

The Group is well aware that sharing values with our suppliers is essential to securing a competitive edge, and is committed to managing the Group's supply chain in a socially and environmentally responsible manner For this reason, the Group manages suppliers by setting up a supplier management policy comprising supplier profile and selection criteria. A list of supplier having job experience with the Group is maintained. When engaging new suppliers, the competence and performance of the sub-contractor are verified through enquires and job reference. Furthermore, all suppliers shall be re-evaluated if there is no business transaction in the previous three years prior to issuance of a new purchase order.

In order to realise the Group's commitment, the Group is studying the possibility to introduce supplier audit, and roll out channels to work closely with suppliers to minimise environmental impacts. During the audit process, if there are any areas of non-compliance identified, the supplier is required to propose corrective actions with an implementation schedule. Regarding communications with suppliers, the Group will try to integrate environmental considerations into the procurement policy.

Product Responsibility

The Group's service is project based. Project management is critical. The Group carries out business operations in line with its IMS, based on the ISO9001, which establishes a framework to maintain a quality management system. Establishment of a Project Manager, a Design Manager and a Quality Safety Health and Environmental (QSHE) Manager, with well-defined duties, facilitates system implementation and delivers excellent services to our clients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A Project Manager who is responsible to assess projects, allocate resources and develop IMS Project Plans. Where applicable, inspection activities are conducted. To further optimising operational quality and efficiency, a monitoring and measurement equipment list is maintained. The list details records of measuring result and equipment status.

A Design Manager who is accountable for planning and controlling the design as well as the development of the projects shall review the projects and manage the interface between persons and departments involved in the purpose of effective communication.

Additionally, A QSHE Manager assesses customer satisfaction through continuous meeting result, customer complaint, and the number of nonconformity.

Integrity

The Group conducts business practices in a fair and transparent way, and is in compliance with all relevant laws and regulations. Employees shall follow these requirements on various aspects like business ethics, competition and antitrust issues, conflicts of interest, bribery and anti-corruption. The Group requires employees to declare gifts received from vendors and clients. Also, employees shall comply with applicable legal requirements relating to the holding, processing, disclosure and use of confidential information received in the course of business. With the promulgation of Competition Ordinance, it prohibits certain anti-competitive practices. Particularly, construction companies shall exercise care when preparing and submitting tenders, deciding whether and how to engage in joint-ventures with competitors on individual projects, and when participating in industry and trade association meeting. The Group will see how to setup procedures to raise the awareness in this regard. Under the IMS, there is a Quality Safety Health and Environmental (QSHE) Manager. The QSHE Manager is responsible for evaluating regulatory compliance periodically. In addition, the Group is working out a future plan to strengthen employees' knowledge in these aspects.

Community Investment

The Group believes that we have a social responsibility to support those in need in the community, thereby leveraging our resources to make contributions. The Group has setup the policy to understand the needs of the local community and encourage our employees in charitable and community involvement. In 2016, the Group made donation to Caritas Hong Kong, which is a charity providing wide-ranging services including social work services, education, medical care as well as community development.

For furtherance in this aspect, the Group will try to keep an eye on the needs of the community, and study possibilities to formulate strategy in create shared values.

INDEPENDENT AUDITOR'S REPORT

Wellink CPA Limited

TO THE SHAREHOLDERS OF NEW CONCEPTS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of New Concepts Holdings Limited (the "Company") and its subsidiaries (correctively referred to as the "Group") set out on pages 70 to 135, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Determination of fair value of contract revenue in respect of the construction of kitchen waste treatment plants

Refer to note 6 to the consolidated financial statements.

Revenue from the construction of kitchen waste treatment plants under the terms of Build-Operate-Transfer ("BOT") contracts represented approximately 32% of total revenue for the year ended 31 March 2017 and was accounted for under HK(IFRIC) Interpretation 12 Service Concession Arrangements. The revenue was estimated on a cost-plus basis with reference to a prevailing market rate of profit margin applicable to similar construction services rendered in a similar location. Significant management judgement was involved in determining the construction profit margins for these construction services.

Management engaged an external valuer to support their estimation of the profit margin for the said construction revenue. As part of our audit procedures, we have considered the objectivity, independence and competency of the external valuer. In addition, we have engaged external valuation specialists to assist us to assess the reasonableness of the bases and assumptions adopted in the valuation. Our procedures included discussions with management and the external valuer about the parameters used in estimating the Group's construction margins, including the benchmarks made to other comparable companies. We also performed a comparison of the inputs used in the valuation to external market data. We then assessed the disclosures under the section Critical Judgements and Key Estimates in the consolidated financial statements.

We consider that the Group's fair value measurement of contract revenue is supported by the available evidence.

Recoverability of trade and other receivables, loan receivables and amounts due from customers for contract work

Refer to note 20, 21 and 22 to the consolidated financial statements.

The Group has significant trade and other receivables, loan receivables and amounts due from customers for contract work for an aggregate amount of approximately HK$483 million and represents approximately 34% of the Group's total assets as at 31 March 2017.

Management assessed the recoverability of trade and other receivables, loan receivables and amounts due from customers for contract works based on the ageing portfolio, past collection history and subsequent settlement. Management concluded that there was no impairment in respect of trade and other receivables, loan receivables and amounts due from customers for contract work as at 31 March 2017.

Significant management judgement was required in determining the recoverability against these balances.

We assessed the Group's processes and controls relating to the assessment of the recoverability of trade and other receivables, loan receivables and amounts due from customers for contract work.

For the material trade and other receivables, loan receivables and amounts due from customers for contract work balances, we evaluated if a provision was required. Our procedures included obtaining direct confirmations, consideration of whether the balances were overdue, the debtor's historical payment patterns and whether any post year-end payment had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence between the parties involved, progress made by management to recover the outstanding amounts, pledges from the debtors and the credit status of these debtors where available. For the remaining balances, we also considered whether a provision was required, after taking into account factors such as the nature, ageing and movement during the year.

We found that management's judgement in assessing the recoverability of trade and other receivables, loan receivables and amounts due from customers for contract work is supported by the available evidence.

Key audit matter

Goodwill impairment testing

Refer to note 16 to the consolidated financial statements.

Management is required to test goodwill for impairment on an annual basis. This test is largely based on management expectations, assumptions and estimates of future results of the cash-generating units to which the goodwill has been allocated. The assumptions are affected by expectations of future market or economic conditions. The impairment test is based on the recoverable amounts of the relevant cash-generating units, which is compared with their respective carrying values. As at 31 March 2017, the goodwill carried in the consolidated financial statements was approximately HK$115 million.

The management performs an annual impairment test on the recoverability of the goodwill which is subjective in nature due to judgements having to be made of future performance.

- Checking on sample basis, the accuracy and relevance of the input data used;
- Assessing the competence, expertise and objectivity of the management expert who calculates the recoverable amount of goodwill; and
- Evaluating the assumptions and methodologies used in the calculation.

We found the key assumptions were supported by the available evidence.

Other information

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the directors and Audit Committee for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, we report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WELLINK CPA LIMITED
Certified Public Accountants

Chan Yan Ting
Audit Engagement Director
Practising Certificate Number P06380

Hong Kong, 29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	1,239,809	1,411,799
Cost of sales		(1,040,850)	(1,280,345)
Gross profit		198,959	131,454
Other income and net gains	6	11,728	9,252
Administrative expenses		(98,502)	(32,495)
Other operating expenses		(16,848)	(37,957)
Operating profit		95,337	70,254
Finance costs	9	(2,159)	(8,376)
Profit before income tax	7	93,178	61,878
Income tax expense	10	(36,252)	(12,163)
Profit for the year		56,926	49,715
Profit for the year attributable to:			
Owners of the Company		47,610	49,715
Non-controlling interests		9,316	—
		56,926	49,715
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
— Fair value changes of available-for-sale financial assets		(5,033)	5,033
— Exchange differences on translation of foreign operations		(11,091)	719
		(16,124)	5,752
Total comprehensive income for the year		40,802	55,467
Total comprehensive income for the year attributable to:			
Owners of the Company		31,708	55,467
Non-controlling interests		9,094	—
		40,802	55,467
Earnings per Share	11		
— Basic		HK$0.10	HK$0.12
— Diluted		HK$0.10	HK$0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	197,035	198,614
Operating concession	14	176,749	—
Intangible asset	15	17,193	—
Goodwill	16	114,909	—
Available-for-sale financial assets	17	6,536	20,287
Receivables under service concession arrangements	18	227,516	—
Rental deposit		826	826
		740,764	219,727
Current assets			
Inventories	19	3,861	—
Trade and other receivables	20	322,069	365,108
Loan receivables	21	38,861	18,592
Amounts due from customers for contract work	22	121,876	64,121
Receivables under service concession arrangements	18	30,220	—
Tax recoverable		—	800
Bank balances and cash	24	173,108	195,249
		689,995	643,870
Current liabilities			
Trade and other payables	25	654,655	543,201
Bank borrowings	26	12,789	20,077
Amounts due to customers for contract work	22	1,626	11,140
Obligations under finance leases	27	21,068	30,982
Tax payable		9,153	—
		699,291	605,400
Net current (liabilities)/assets		(9,296)	38,470
Total assets less current liabilities		731,468	258,197

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Bank borrowings	26	5,906	—
Other loans	28	165,938	—
Deferred income	29	8,831	—
Deferred tax liabilities	30	44,642	23,617
Obligations under finance leases	27	5,693	23,288
		231,010	46,905
NET ASSETS		500,458	211,292
Capital and reserves			
Share capital	31	49,898	40,000
Reserves		429,674	171,292
Total equity attributable to the owners of the Company		479,572	211,292
Non-controlling interests		20,886	—
TOTAL EQUITY		500,458	211,292

Approved and authorised for issue by the board of directors on 29 June 2017.

Zhu Yongjun	**Cai Jianwen**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000 (Note a)	Merger reserve HK$'000 (Note b)	Revaluation reserve HK$'000	Exchange reserve HK$'000 (Note c)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 March 2015	40,000	38,103	—	14,000	—	—	63,722	155,825	—	155,825
Profit for the year	—	—	—	—	—	—	49,715	49,715	—	49,715
Other comprehensive income for the year:										
Fair value changes of available-for-sale financial assets	—	—	—	—	5,033	—	—	5,033	—	5,033
Exchange differences on translation of foreign operations	—	—	—	—	—	719	—	719	—	719
Balance at 31 March 2016 and 1 April 2016	40,000	38,103	—	14,000	5,033	719	113,437	211,292	—	211,292
Profit for the year	—	—	—	—	—	—	47,610	47,610	9,316	56,926
Other comprehensive income for the year:										
Fair value changes of available-for-sale financial assets	—	—	—	—	(5,033)	—	—	(5,033)	—	(5,033)
Exchange differences on translation of foreign operations	—	—	—	—	—	(10,869)	—	(10,869)	(222)	(11,091)
Issue of new shares (note 31(a))	8,000	159,137	—	—	—	—	—	167,137	—	167,137
Issue of new shares (note 31(b))	1,898	48,597	—	—	—	—	—	50,495	—	50,495
Equity-settled share option arrangements	—	—	18,940	—	—	—	—	18,940	—	18,940
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	11,792	11,792
Balance at 31 March 2017	**49,898**	**245,837**	**18,940**	**14,000**	**—**	**(10,150)**	**161,047**	**479,572**	**20,886**	**500,458**

Note:

(a) Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payment reserve in note 3 to the consolidated financial statements.

(b) The merger reserve of the Group represents the share capital of New Concepts Engineering Development Limited and New Concepts Foundation Limited pursuant to the Group Reorganisation.

(c) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before tax		93,178	61,878
Adjustments for:			
Interest income		(1,087)	(123)
Exchange losses, net		1,187	—
Finance costs		2,159	8,376
Depreciation		29,651	26,460
Gain on disposals of property, plant and equipment		(7)	(70)
Expense of share-based payments		18,940	—
Impairment loss on available-for-sale financial assets		7,532	—
Amortisation		747	—
Waiver of loan interest payable		2,696	—
Operating profit before working capital changes		154,996	96,521
Movements in working capital elements:			
Decrease in inventories		3,990	—
Decrease/(increase) in trade and other receivables		66,987	(199,843)
Increase in trade and other payables		47,882	99,283
Increase in amounts due from customers for contract work		(57,755)	(30,739)
(Increase)/decrease in amounts due to customers for contract work		(9,514)	10,237
Increase in deferred income		8,831	—
Increase in operating concession		(149,033)	—
Increase in receivables under service concession arrangements		(229,353)	—
Cash used in operations		(162,969)	(24,541)
Income tax paid		(1,793)	(4,438)
Overseas tax paid		(2,964)	—
Net cash used in operating activities		(167,726)	(28,979)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(86,642)	—
Purchase of intangible asset		(17,940)	—
Purchase of property, plant and equipment		(21,549)	(4,777)
Purchase of available-for-sale financial assets		—	(11,657)
Increase in loan receivable		(20,268)	(18,592)
Increase in other receivables		—	(39,841)
Interest received		1,087	123
Proceeds from disposals of property, plant and equipment		7	82
Net cash used in investing activities		(145,305)	(74,662)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
(Increase)/decrease in pledged bank deposits		(12,438)	15,435
Bank loan raised		12,142	20,077
Repayment of bank borrowings		(20,122)	(4,000)
Capital element of finance lease rentals paid		(32,383)	(95,819)
Increase in amounts due to related companies		15,525	329,717
Decrease/(increase) in amount due from a shareholder		17	(17)
Issued of shares		167,138	—
Interest element of finance lease rentals paid		(1,306)	(4,380)
Other borrowings cost paid		(853)	(3,996)
Other loan raised		165,320	—
Repayment of other loan		(3,021)	—
Net cash generated from financing activities		290,019	257,017
Net (decrease)/increase in cash and cash equivalents		(23,012)	153,376
Cash and cash equivalents at beginning of the year		195,249	41,653
Effect of changes in foreign exchange rate		(11,567)	220
Cash and cash equivalents at end of the year	24	160,670	195,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in the Cayman Islands with limited liability as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. During the Year, the principal activities of its subsidiaries involved in construction works and environmental protection.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies (Continued)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (y) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at their acquisition-date fair value the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, at the following annual rates:

Furniture and office equipment	20–33%
Motor vehicles	10–25%
Plant and machinery	10–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets acquired under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The gain or loss arising from the retirement or disposal of property, plant and equipment, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(f) Leases

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(g) Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under "Trade and other receivables" in note 3(l) below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out in below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

3. Significant Accounting Policies (Continued)

(g) Service concession arrangements (Continued)

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" in note 3(i) below.

Operating concessions

Operating concessions representing the rights to operate kitchen waste treatment plants are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 30 years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Construction contracts

Contract revenue comprises (i) the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments in respect of the construction services for the projects and (ii) construction revenue recognised under BOT contracts. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the construction services for the projects is recognised using the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from the construction of kitchen waste treatment plants under the terms of BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in a similar location, and is recognised using the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(i) Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated of cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (Continued)

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(i) *Construction contracts income*

Revenue from individual construction contracts is recognised under the percentage of completion method, when the outcome of a contract can be estimated reliably and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Expected losses are fully provided on contracts when identified.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Contract costs are recognised when incurred.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(ii) Revenue relating to the construction services under a service concession arrangement is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

(iii) Rental income on machinery is recognised on a straight-line basis over the term of the lease.

(iv) Services fee income is recognised when services are rendered.

(v) Income from sales of materials is recognised when goods are delivered and the customers assume the risks and rewards of ownership.

(vi) Interest income is recognised on a time proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(r) Employee benefits

(i) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China ("PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (Continued)

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

(v) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant Accounting Policies (Continued)

(x) Related parties

For the purpose of these consolidated financial statements, a related party is a person or entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity is member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third party and the other entity is an associate of the same third party or vice versa;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the entity or to a parent of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant Accounting Policies (Continued)

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the note to the consolidated financial statements when material.

4. Critical Judgements and Key Estimates

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Because of the nature of the activity undertaken in construction, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in each contract budget as the contract progresses and regularly reviews the progress of the contracts. The Group also monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

(b) Classification between operating concession and receivables under service concession arrangements

As explained in note 3 to the consolidated financial statements, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at their fair values.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, future guaranteed receipts and non-guaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of the operating concession and receivables under service concession arrangements carried as assets in the consolidated statement of financial position as at 31 March 2017 were HK$176,749,000 (2016: HK$nil) and HK$257,736,000 (2016: HK$nil), respectively, further details of which are set out in notes 14 and 18 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical Judgements and Key Estimates (Continued)

(c) Estimate of useful lives and impairment of property, plant and equipment

The Group has significant amount of property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

4. Critical Judgements and Key Estimates (Continued)

(d) Determination of fair value of contract revenue in respect of the construction services rendered

Revenue from the construction of kitchen waste treatment plants under the terms of a BOT contract is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of agreement applicable to similar construction services rendered in a similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The construction margin is determined based on the gross profit margins of market comparables by identifying relevant peer groups, which are listed on various stock exchanges in the world. Criteria for selection include:

(i) the peer firm must be in the field of the construction of infrastructure, majoring in kitchen waste treatment facilities in the PRC; and

(ii) information of the peer firm must be available and from a reliable source.

(e) Useful lives and residual values of property, plant and equipment, and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment, and intangible asset. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment, and intangible asset of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and therefore depreciation/amortisation in the future periods. The carrying amounts of property, plant and equipment, and intangible assets (other than goodwill) carried as assets in the consolidated statement of financial position as at 31 March 2017 were HK$197,035,000 (2016: HK$198,614,000) and HK$17,193,000 (2016: nil) in aggregate, respectively, further details of which are set out in notes 13 and 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical Judgements and Key Estimates (Continued)

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$114,909,000 (2016: nil).

(g) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(h) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(i) Current tax and deferred tax assets

The Group is subject to income taxes in Hong Kong and PRC. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as a liability in the consolidated statement of financial position as at 31 March 2017 was HK$9,153,000 (2016: nil).

The carrying amounts of deferred tax liabilities carried as liabilities in the consolidated statement of financial position as at 31 March 2017 were HK$44,642,000 (2016: HK$23,617,000) details of which are set out in note 30 to the consolidated financial statements.

4. Critical Judgements and Key Estimates (Continued)

(j) Impairment of trade and other receivables, loan receivables and amounts due from customers for contract work

Management determines the provision for impairment of trade and other receivables, loan receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of the reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies (HK$, Renminbi ("RMB") and United States Dollars ("US$")) and Euro of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged with US$, management is of the view that there is no significant foreign exchange risk to the Group.

(b) Price risk

The Group's financial assets, listed equity securities are measured at fair value at the end of each reporting period and are exposed to equity security price risk. The Group periodically reviews the fair value of the investment as well as the financial condition of investee.

At 31 March 2017, if the fair value of the investments increase/decrease by 10%, effect on other comprehensive income for the year would have been approximately HK$654,000 (2016: HK$2,029,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Financial Risk Management (Continued)

(c) Interest rate risk

The Group's finance lease payables, bank borrowings and other loans bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

As the Group has no other significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(d) Credit risk

Credit risk arises mainly from trade and other receivables, loan receivables, pledged bank deposits and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivable, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2017, there was no customer (2016: 1 customer) which individually contributed over 10% of the Group's trade and other receivables. The aggregate amount of trade and other receivables from this customer amounted to nil (2016: 17%) of the Group's total trade and other receivables.

The Group also has credit risk in relation to loan receivables from two independent third parties amounting to approximately HK$38,861,000 (2016: HK$18,592,000) at 31 March 2017. In order to minimise the credit risk, the management has reviewed the recoverable amount of the loan receivables regularly to ensure that adequate impairment loss is made for any irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk on loan receivables from two independent third parties is significantly reduced.

5. Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The Group maintains its liquidity mainly through funding generated from its daily operations and maintaining funding availability under committed credit facilities.

Accordingly, the directors consider that the liquidity risk is minimal.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 March 2017					
Trade and other payables	654,655	—	—	—	654,655
Obligations under finance leases	21,546	5,790	—	—	27,336
Bank borrowings	13,217	323	5,637	—	19,177
Other loans	10,083	29,914	89,741	95,379	225,117
	699,501	36,027	95,378	95,379	926,285

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 March 2016					
Trade and other payables	543,201	—	—	—	543,201
Obligations under finance leases	32,272	23,790	—	—	56,062
Bank borrowings	20,077	—	—	—	20,077
	595,550	23,790	—	—	619,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Financial Risk Management (Continued)

(f) Categories of financial instruments at 31 March 2017

	2017 HK$'000	2016 HK$'000
Financial assets:		
Available-for-sale financial assets	6,536	20,287
Loans and receivables (including cash and cash equivalents):		
— Trade and other receivables	299,286	342,962
— Loan receivables	38,861	18,592
— Receivables and service concession arrangements	257,736	—
— Bank balances and cash	173,108	195,249
	775,527	577,090
Financial liabilities:		
Financial liabilities measured at amortised cost:		
Trade and other payables	654,655	543,201
Bank borrowings	18,695	20,077
Other loans	165,938	—
	839,288	563,278

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

5. Financial Risk Management (Continued)

(g) Fair values (Continued)

	Fair value measurement using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2017				
Available-for-sale financial assets	**6,536**	**—**	**—**	**6,536**
At 31 March 2016				
Available-for-sale financial assets	20,287	—	—	20,287

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information

Revenue derived from construction works and environmental protection are as follows:

	2017 HK$'000	2016 HK$'000
Foundation works	**609,353**	1,102,071
Civil engineering and building works	**62,774**	309,728
Sales of construction materials	**85,906**	—
Environmental protection	**481,776**	—
	1,239,809	1,411,799

Information reported to the executive Directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

The Group's operating and reportable segments currently are (i) foundation works, (ii) civil engineering and building works, (iii) sales of construction materials and (iv) environmental protection. The CODM considered the Group has four operating and reportable segments which are based on the internal organisation and reporting structure during the reporting period and future operation. This is the basis upon which the Group is organised.

6. Revenue and Segment Information (Continued)

(a) Segment revenue and results

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

For the year ended 31 March 2017

	Foundation works HK$'000	Civil engineering and building works HK$'000	Sales of construction materials HK$'000	Environmental protection HK$'000	Total HK$'000
Revenue					
Revenue from external parties	609,353	62,774	85,906	481,776	1,239,809
Inter-segment sales	—	—	—	—	—
Total segment revenue	609,353	62,774	85,906	481,776	1,239,809
Adjusted segment profit/(loss)	22,444	(4,999)	2,392	132,285	152,122
Depreciation	26,570	—	—	986	27,556

For the year ended 31 March 2016

	Foundation works HK$'000	Civil engineering and building works HK$'000	Sales of construction materials HK$'000	Environmental protection HK$'000	Total HK$'000
Revenue					
Revenue from external parties	1,102,071	309,728	—	—	1,411,799
Inter-segment sales	—	—	—	—	—
Total segment revenue	1,102,071	309,728	—	—	1,411,799
Adjusted segment profit/(loss)	84,196	22,653	—	(1,600)	105,249
Depreciation	24,605	—	—	—	24,605

The accounting policies of the operating segments are the same as the Group's accounting policies described in the consolidated financial statements.

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before income tax. The adjusted profit/(loss) before income tax is measured consistently with the Group's profit before income tax except that finance costs, inter-segment transactions as well as head office and corporate expenses are excluded from such measurement.

All of the segment revenue reported above is from external customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

(b) Segment assets and liabilities

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

	Foundation works HK$'000	Civil engineering and building works HK$'000	Sales of construction materials HK$'000	Environmental protection HK$'000	Total HK$'000
As at 31 March 2017					
Segment assets	**219,540**	**9,751**	**22,075**	**689,960**	**941,326**
Segment liabilities	**65,990**	**8,747**	**22,873**	**410,574**	**508,184**
As at 31 March 2016					
Segment assets	525,367	30,046	—	60,128	615,541
Segment liabilities	220,853	29,599	—	1,297	251,749

Segment assets represent certain property, plant and equipment, operating concession, intangible assets, goodwill, available-for-sale financial assets, receivables under service concession arrangements, rental deposit, inventories, trade and other receivables, loan receivables, amounts due from customers for contract work, bank balances and cash which are directly attributable to the relevant operating and reportable segments. Segment liabilities represent trade and other payables, obligations under finance leases, amounts due to customers for contract work, bank borrowings and other loans which are directly attributable to the relevant operating and reportable segments. These are the measures reported to CODM for the purpose of resource allocation and assessment of segment performance.

(c) A reconciliation of segment results to profit before income tax is as follows:

	2017 HK$'000	2016 HK$'000
Adjusted segment profit for reportable segments	**152,122**	105,249
Unallocated — other income and net gains	**11,728**	9,252
Unallocated expenses	**(68,513)**	(44,247)
Finance costs	**(2,159)**	(8,376)
Profit before income tax	**93,178**	61,878

6. Revenue and Segment Information (Continued)

(c) (Continued)

A reconciliation of segment assets to total assets is as follows:

	2017 HK$'000	2016 HK$'000
Segment assets	941,326	615,541
Unallocated	489,433	248,056
Total assets	1,430,759	863,597

A reconciliation of segment liabilities to total liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Segment liabilities	508,184	251,749
Unallocated	422,117	400,556
Total liabilities	930,301	652,305

(d) Information about major customers

During the Year, there were no customer (2016: 3 customers) who individually contributed over 10% of the Group's revenue. The aggregate amount of revenue from these customers accounted for nil (2016: 46%) of the Group's total revenue.

(e) Geographical information

The Group's revenues from external customers are divided into the following geographical areas:

	2017 HK$'000	2016 HK$'000
Hong Kong	753,261	1,411,799
PRC	486,432	—
Others	116	—
	1,239,809	1,411,799

The geographical location of revenue is based on the location of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Revenue and Segment Information (Continued)

(f) Other income and net gains

	2017 HK$'000	2016 HK$'000
Bank interest income	193	123
Other interest income	894	—
Exchange (loss)/gain	(35)	412
Gain on disposal of property, plant and equipment	7	70
Machine rental income	1,076	1,966
Service fee income	3,847	969
Sales of constructions materials	93	5,676
Sundry income	2,957	36
Waiver of loan interest payable	2,696	—
	11,728	9,252

7. Profit Before Income Tax

Profit before income tax has been arrived at after charging/(crediting):

	2017 HK$'000	2016 HK$'000
Staff costs: (including directors' remuneration)		
— Contributions to defined contribution plan	3,621	2,631
— Salaries, wages and other benefits	119,654	93,421
— Other staff benefits	1,428	376
— (Reversal)/provision for long service payments	(790)	527
— Provision for annual leave	752	603
— Equity-settled share option expenses	18,940	—
	143,605	97,558
Other items:		
Depreciation	29,651	26,460
Amortisation of intangible asset	747	—
Gain on disposal of property, plant and equipment	7	70
Impairment loss on available-for-sale financial assets	7,532	—
Operating leases charges	5,903	2,959
Auditor's remuneration	1,350	1,060

8. Directors' Emoluments

(a) Directors' emoluments

The emoluments of each director of the Company for the year ended 31 March 2017 is set out below:

Name	Fee HK$'000	Salaries and allowances HK$'000	Discretionary Bonus HK$'000	Equity-settled share option expense HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:						
Mr. Chu Shu Cheong (Note i)	–	600	–	–	12	612
Mr. Kwan Man Hay (Note ii)	–	825	–	–	17	842
Mr. So Kin Shing (Note iii)	–	120	–	–	–	120
Ms. Lai Mun Yee (Note iv)	–	154	–	–	3	157
Mr. Cai Jianwen	700	454	58	3,210	5	4,427
Mr. Zhu Yongjun (Note vi)	–	1,050	91	227	11	1,379
Ms. Qin Shulan (Note vii)	–	710	60	4,815	–	5,585
Non-executive directors:						
Mr. Lam Kwei Mo (Note v)	75	–	–	–	–	75
Dr. Zhang Lihui (Note viii)	–	–	–	–	–	–
Mr. Chu Kingston Chun Ho (Note ix)	70	–	–	227	–	297
Independent non-executive directors:						
Mr. Choy Wai Shek, Raymond, *MH, JP*	240	–	–	227	–	467
Mr. Lo Chun Chiu, Adrian	240	–	–	227	–	467
Dr. Tong Ka Lok	240	–	–	227	–	467
	1,565	3,913	209	9,160	48	14,895

8. Directors' Emoluments (Continued)

(a) Directors' emoluments (Continued)

The emoluments of each director of the Company for the year ended 31 March 2016 is set out below:

Name	Fee	Salaries and allowances	Discretionary Bonus	Contribution to retirement benefits scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Chu Shu Cheong	—	900	—	18	918
Mr. Kwan Man Hay	—	900	—	18	918
Mr. So Kin Shing	—	720	—	18	738
Ms. Lai Mun Yee	—	861	280	18	1,159
Mr. Cai Jianwen	—	—	—	—	—
Non-executive directors:					
Mr. Huen Wai Kei	120	—	—	—	120
Mr. Lam Kwei Mo	110	—	—	—	110
Independent non-executive directors:					
Mr. Choy Wai Shek, Raymond, *MH, JP*	240	—	—	—	240
Mr. Lo Chun Chiu, Adrian	240	—	—	—	240
Dr. Tong Ka Lok	240	—	—	—	240
	950	3,381	280	72	4,683

Notes:

(i) Chu Shu Cheong resigned as executive director of the Company on 29 November 2016.

(ii) Kwan Man Hay resigned as executive director of the Company on 27 February 2017.

(iii) So Kin Shing resigned as executive director of the Company on 24 May 2016.

(iv) Lai Mun Yee resigned as executive director of the Company on 24 May 2016.

(v) Lam Kwei Mo was appointed and resigned as a non-executive director of the Group on 23 September 2015 and 15 August 2016 respectively.

(vi) Zhu Yongjun was appointed as executive director of the Company on 24 May 2016.

(vii) Qin Shulan was appointed as executive director of the Company on 24 May 2016.

(viii) Zhang Lihui was appointed as non-executive director of the Company on 8 September 2016.

(ix) Chu Kinston Chun Ho was appointed as non-executive director of the Company on 8 September 2016.

(x) During the year ended 31 March 2017 and 2016, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(xi) Cai Jianwen waived his emolument from the date of his appointment to 31 March 2016 and Lam Kwei Mo waived his emolument from the date of his appointment to 31 January 2016.

(xii) No director has waived or agreed to waive any emoluments during the year ended 31 March 2017.

8. Directors' Emoluments (Continued)

(b) Five highest paid individuals' emoluments

The five highest paid individuals of the Group during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits (including equity-settled share option)	8,855	4,849
Discretionary bonus	50	832
Contribution to retirement benefits scheme	90	90
	8,995	5,771

The emoluments of these highest paid individuals fell within the following bands:

	2017	2016
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	3
HK$1,500,001 to HK$2,000,000	1	—
HK$4,000,001 to HK$4,500,000	1	—

During the year ended 31 March 2017 and 2016, no emoluments were paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group.

9. Finance Costs

	2017 HK$'000	2016 HK$'000
Interest on bank loans	853	1,300
Finance lease charges	1,306	4,380
Interest expenses on loan from a related company	—	2,696
	2,159	8,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Income Tax Expense

The Company is tax exempted under the laws of Cayman Islands. The subsidiaries which are operating in Hong Kong are subject to Hong Kong profits tax at a tax rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in Hong Kong.

The statutory income tax rate for the PRC subsidiaries is 25%.

A subsidiary of the Group are entitled to the PRC preferential tax treatments. The subsidiary was approved as a High and New Technology Enterprise, which entitled it to the preferential income tax rate of 15% from 2014 to 2017.

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong profits tax	771	3,199
Over provision in previous year	—	(37)
	771	3,162
Current Tax — PRC	13,940	—
Deferred tax	21,541	9,001
	36,252	12,163

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits in respective countries as follows:

	2017 HK$'000	2016 HK$'000
Profit before income tax	93,178	61,878
Tax calculated at domestic tax rates applicable to profits in the respective countries	31,000	10,210
Tax effect of non-taxable revenue	(474)	(732)
Tax effect of non-deductible expenses	1,752	1,345
Utilisation of tax loss previously not recognised	(820)	—
Tax effect of PRC preferential treatment	(824)	—
Tax effect of temporary differences not recognised	(147)	—
Unrecognised tax losses	5,765	1,377
Over provision for previous year	—	(37)
	36,252	12,163

At the end of reporting period, the Group has unused tax losses of approximately HK$52,843,000 (2016: HK$17,903,000) available for offset against future profits. No deferred tax assets has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams.

11. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to owners of the Company of approximately HK$47,610,000 (2016: HK$49,715,000) and the weighted average number of approximately 455,589,488 ordinary shares (2016: 400,000,000) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$47,610,000 (2016: HK$49,715,000) and the weighted average number of approximately 457,297,032 ordinary shares (2016: 400,000,000), calculated as follows:

	2017	2016
Weighted average number of ordinary shares at end of the year	455,589,488	400,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	1,707,544	N/A
Weighted average number of ordinary shares (diluted) at end of the year	457,297,032	400,000,000

12. Dividend

No dividend was paid or proposed for the year ended 31 March 2017 (2016: HK$nil) nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Property, Plant and Equipment

	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 31 March 2015	199,542	1,846	6,306	207,694
Additions	36,674	2,104	1,444	40,222
Disposals	—	—	(440)	(440)
Exchange adjustment	—	(1)	—	(1)
At 31 March 2016 and 1 April 2016	236,216	3,949	7,310	247,475
Additions	19,080	5,703	1,641	26,424
Disposals	—	—	(50)	(50)
Written down	—	(40)	(159)	(199)
Acquisition of subsidiaries	553	343	992	1,888
Exchange adjustment	1	(18)	(27)	(44)
At 31 March 2017	255,850	9,937	9,707	275,494
Accumulated depreciation				
At 31 March 2015	21,038	790	1,001	22,829
Charge for the year	24,605	532	1,323	26,460
Written back on disposals	—	—	(428)	(428)
At 31 March 2016 and 1 April 2016	45,643	1,322	1,896	48,861
Charge for the year	26,592	1,536	1,523	29,651
Written back on disposals	—	—	(50)	(50)
Exchange adjustment	(1)	—	(2)	(3)
At 31 March 2017	72,234	2,858	3,367	78,459
Net carrying value				
At 31 March 2017	183,616	7,079	6,340	197,035
At 31 March 2016	190,573	2,627	5,414	198,614

The carrying amount of plant and machinery and motor vehicles amounted approximately HK$77,933,000 (2016: HK$100,163,000) and HK$1,400,000 (2016: HK$3,918,000) respectively were assets held under finance leases as at 31 March 2017 (note 27).

14. Operating Concession

	Right to charge for usage of the concession infrastructure HK$'000
Cost	
At 1 April 2016	—
Acquisition of subsidiaries	27,717
Additions	149,032
At 31 March 2017	176,749
Accumulated amortisation	
At 1 April 2016 and at 31 March 2017	—
Carrying amount	
At 31 March 2017	176,749
At 31 March 2016	—

During the year, the Group entered into two service concession agreements with the 太原市市容環境衛生管理局 in Taiyuan and 婁底市城管執法區 in Loudi in the PRC (the "grantor") to construct a kitchen waste treatment plants in Taiyuan and Loudi in the PRC. The construction of the kitchen waste treatment plants commenced and not yet completed during the period. Under the terms of the agreement, the Group will operate and make the kitchen waste treatment plants available to the public for a period of 30 years. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

The grantor will provide the Group a guaranteed minimum annual payment for each year that the kitchen waste treatment plants is in operation. Additionally, the Group receives the right to charge users a fee for using the kitchen waste treatment which the Group will collect and retain. The usage fees collected and earned by the Group during the year are over and above the guaranteed minimum annual payment and therefore no such payment is received from the grantor. At the end of the concession period the kitchen waste treatment plants becomes the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements.

The service concession agreement does not contain a renewal option. The standard rights of the grantor to terminate the agreement include poor performance by the Group and a material breach in the terms of the agreement. The standard rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement, a material breach in the terms of the agreement, and any changes in law which would render it impossible for the Group to fulfil its requirements under the agreement.

The Group has recognised an operating concession of HK$176,749,000 (2016: nil) related to the service concession arrangement representing the right to charge users a fee for usage of the kitchen waste treatment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Intangible Asset

	Patents HK$'000
Cost	
At 1 April 2016	—
Additions	17,940
At 31 March 2017	17,940
Accumulated amortisation and impairment losses	
At 1 April 2016	—
Amortisation for the year	747
At 31 March 2017	747
Carrying amount	
At 31 March 2017	17,193
At 31 March 2016	—

The Group's patents protect the design and specification of the Group's products. The average remaining amortisation period of the patents is 10 years.

16. Goodwill

	2017 HK$'000
Cost and net carrying amount:	
At 31 March 2016 and 1 April 2016	–
Acquisition of subsidiaries	**114,909**
At 31 March 2017	**114,909**

Impairment testing of goodwill

The recoverable amounts of the cash-generating unit ("CGUs") are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 5 years. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 25 year period. Key assumptions used by the management in the value in use calculations of the CGUs include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 18.80%.

The assumptions have been determined based on past performance and management's expectations in respect of the kitchen waste treatment market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Available-for-Sale Financial Assets

	2017 HK$'000	2016 HK$'000
Equity securities, at fair value		
Listed outside Hong Kong		
— market value of listed securities	**6,536**	20,287

The balance represented an investment of 5.89% equity interests in Josab International AB ("Josab"). Josab is a company listed on the AktieTorget, a stock exchange in Sweden, and is engaged in the business of the development and manufacture of water treatment solutions systems.

18. Receivables under Services Concession arrangements

The Group has entered into 2 service concession arrangements with certain government authorities in the PRC on a BOT basis in respect of its kitchen waste treatment services.

These service concession arrangements generally involve the Group as an operator (i) constructing kitchen waste treatment plants (the "Facilities") on a BOT basis; and (ii) operating and maintaining the kitchen waste treatment plants at a specified level of serviceability on behalf of the relevant government authorities for period of 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the kitchen waste treatment plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

At 31 March 2017, the Group had 2 service concession arrangements on kitchen waste treatment, respectively, with various governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements is set out as follows:

No.	Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Service concession period
1.	太原天潤生物能源有限公司	Taiyuan, Shanxi Province, the PRC	太原市市容環境衛生管理局	BOT on Kitchen waste treatment plant	30 years
2.	婁底市方盛環保科技有限公司	Loudi, Hunan Province, the PRC	婁底市城管執法局	BOT on Kitchen waste treatment plant	30 years

18. Receivables under Services Concession arrangements (Continued)

Pursuant to the service concession agreements entered into by the Group, the Group are granted the rights to use the property, plant and equipment of the kitchen waste treatment plants and related land, during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

The Group has recorded revenue approximately HK$394,777,000 (2016: HK$nil) on construction services under the service concession arrangement. The Group has recognised a service concession receivable of HK$257,736,000 representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate ranging from 13% to 13.5%.

At 31 March 2017 certain receivables under service concession arrangements of a subsidy of the Company were pledged to secure certain loans granted to the Group (note 28).

Receivables under service concession arrangements

	2017 HK$'000	2016 HK$'000
Receivables under service concession arrangements	**257,736**	—
Portion classified as current assets	**(30,220)**	—
Non-current portion	**227,516**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Inventories

	2017 HK$'000	2016 HK$'000
Finished goods	3,861	—

20. Trade and Other Receivables

	2017 HK$'000	2016 HK$'000
Trade and contract receivables (note a)	108,239	188,247
Retention receivables (note b)	71,762	90,374
Total trade and contract receivables	180,001	278,621
Other receivable, deposit and prepayments (notes c & d)	142,068	86,487
	322,069	365,108

Notes:

(a) Trade and contract receivables

It represents progress billings receivables from the contract works and trade receivables from customers. During the Year, credit period granted to the Group's customers generally within 0–49 days from invoice date of the relevant contract revenue and sales.

The aging analysis of trade and contract receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	79,817	145,669
31–60 days	11,978	33,547
61–90 days	5,405	3,251
Over 90 days	11,039	5,780
	108,239	188,247

20. Trade and Other Receivables (Continued)

Notes: (Continued)

(a) Trade and contract receivables (Continued)

As at 31 March 2017, trade and contract receivables of HK$35,022,000 (2016: HK$19,940,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these contract receivables based on due date is as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	6,703	10,909
31–60 days	11,888	3,251
61–90 days	6,935	3,206
Over 90 days	9,496	2,574
	35,022	19,940

As at 31 March 2017, these was no pledge of trade and contract receivables (2016: HK$37,458,000) to a bank to secure factoring loan.

(b) Retention receivables of HK$3,233,000 were past due as at 31 March 2017 (2016: Nil).

Retention receivables is analysed as follow:

	2017 HK$'000	2016 HK$'000
Due within one year	66,860	51,743
Due after one year	4,902	38,631
	71,762	90,374

(c) Included in deposit and prepayments amounts of US$2,920,000 (2016: US$2,920,000), equivalent to approximately HK$22,718,000 (2016: HK$22,718,000), was the 40% deposit paid for acquisition of 49% equity interest in PT. Dempo Sumber Energi ("DSE"), a project company which engages in the development of hydropower stations in the Republic of Indonesia ("Indonesia"), details of which are set out in the Company's announcement dated 23 March 2016.

Reference is made to the announcements of the Company dated 23 March 2016, 6 April 2016, 30 May 2016, 21 September 2016 and 24 April 2017 in relation to the acquisition of 49% equity interest in DSE.

Up to the date of this result announcement, PT Perusahaan Listrik Negara (Persero) and the Minister of Energy and Mineral Resources of Indonesia are still under discussion on the execution of MEMR 19/2015 and additional time is required for the fulfillment of the conditions precedent to the acquisition agreement entered into by, among others, an indirect wholly-owned subsidiary of the Company and the Vendor (as amended and supplemented by the supplemental agreement). The parties entered into extension deed on 21 September 2016 to extend the long stop date from 23 September 2016 to 21 April 2017 and a second extension deed was entered on 21 April 2017 to further extend the long stop date to 20 October 2017 or such later date as the parties may further agree in writing. The Company will make further announcement for completion of the above acquisition when and as appropriate in accordance with the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Trade and Other Receivables (Continued)

Notes: (Continued)

(d) At 31 March 2017, included in deposit and prepayments, an aggregate amount of approximately HK$25,831,000 was the refundable deposits paid for acquisition(s)/investment(s) of potential 13 project companies which engage in the development of hydropower stations in Indonesia, details of which are set out in the Company's announcements dated 22 January 2016, 23 March 2016, 14 April 2016 and 21 June 2016 respectively.

During the Year, 12 out of 13 memoranda of understanding were expired and lapsed, and the respective refundable deposits are applied as deposit paid for acquisition of 80% equity interest in PT. Sumatera Pembangkit Mandiri ('SPM") at a consideration of not exceeding US$4.6 million, depending on the final tariff to be reached in the power purchase agreement. SPM is the project company for the development of a hydropower plant in Indonesia. Such acquisition is yet to be completed up to the date of this announcement.

The amount due is unsecured, interest-free and repayable on demand.

21. Loan Receivables

	2017 HK$'000	2016 HK$'000
Loan receivables	**38,861**	18,592

According to the loan agreements entered into with two independent third parties by one of the subsidiaries of the Group, the interest rate is charged on 0.67% (2016: 0.55%) by loan amount per 30 days and the loans are repayable not later than 30 September 2017 and 9 October 2017 respectively. One of the loan is secured by 20% equity capital of this third party.

22. Amounts due from/(to) Customers for Contract Work

	2017 HK$'000	2016 HK$'000
Cost plus attributable profits less foreseeable losses	**1,164,349**	820,415
Less: progress billings to date	**(1,044,099)**	(767,434)
	120,250	52,981
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**121,876**	64,121
Amounts due to customers for contract work	**(1,626)**	(11,140)
	120,250	52,981

Progress billings to date include retention receivables of HK$71,762,000 (2016: HK$90,374,000) as at 31 March 2017.

23. Related Party Transactions

Name	Nature of transaction	2017 HK$'000	2016 HK$'000
Related companies			
K.S. So & Associates Limited (note i)	Consultancy fee paid	–	119
	Legal and professional fee	–	200
Interchina Water Treatment Hong Kong Company Limited (note ii)	Acquisition of warrants	–	3,051
Josab International AB (note iii)	Acquisition of warrants	–	11,804
New Concepts Holdings (International) Limited (note iv)	Rental expenses	129	221
Turbo Link Trading Limited (note v)	Loan interest expenses	–	2,696
New Style Limited (note vi)	Rental of office premises	1,249	—

Notes:

(i) So Kin Shing, a director of the Company, is also director of and has beneficial interest in K.S. So & Associates Limited.

(ii) Cai Jianwen, a director of the Company, is also director of Interchina Water Treatment Hong Kong Company Limited.

(iii) Cai Jianwen, a director of the Company, is also director of Josab International AB.

(iv) Chu Shu Cheong, a director of the Company, is also director of and has beneficial interest in New Concepts Holdings (International) Limited.

(v) Chu Shu Cheong, a director of the Company, is also director of Turbo Link Trading Limited.

(vi) Chu Shu Cheong and Kwan Man Hay, directors of the Company's subsidiaries are also directors and shareholders of New Style Limited.

(vii) The directors are the key management personal of the Company. Details of their remuneration are disclosed in note 8 to the consolidated financial statements.

(viii) Details of balances with related parties at the end of the reporting period are set out in the consolidated statement of financial position and note 25(c).

24. Bank Balances and Cash

	2017 HK$'000	2016 HK$'000
Bank balances and cash	160,670	195,249
Pledged bank deposits (note)	12,438	—
	173,108	195,249

Note: Pledged bank deposits represent deposit pledged to bank to secure banking facilities granted to the Group as at 31 March 2017 (note 26).

Bank balances earned interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Trade and Other Payables

	2017 HK$'000	2016 HK$'000
Trade payables (note a)	**194,744**	127,629
Retention payables	**43,105**	64,617
Accruals	**18,210**	16,507
Other payables	**45,967**	—
Provision for long service payment (note b)	**—**	791
Provision for annual leave	**1,593**	842
Amounts due to related companies (note c)	**351,036**	332,815
	654,655	543,201

Notes:

(a) During the Year, settlement terms granted by suppliers are generally within 45 days from the invoice date of the relevant purchases.

At the end of each reporting period, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0–30 days	**143,647**	68,397
31–60 days	**29,116**	46,058
61–90 days	**7,948**	5,296
Over 90 days	**14,033**	7,878
	194,744	127,629

(b) Movement of the Group's provision for long service payment during the year is stated as follows:

	2017 HK$'000	2016 HK$'000
At beginning of the year	**791**	264
(Credited)/charged to profit or loss	**(791)**	527
At the end of the year	**—**	791

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least 5 years of service with the Group. The amount payable is dependent on the employees' final salary and years of services, and is reduced by entitlements accrued under the retirement schemes of the Group that are attributable to contributions made by the Group.

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group does not set aside any assets to funds the above remaining obligations.

25. Trade and Other Payables (Continued)

Notes: (Continued)

(c) The balances represent the aggregate amounts of approximately HK$235,000 (2016: HK$3,098,000) due to Interchina Water Treatment Hong Kong Company Limited and Josab International AB and are unsecured, interest-free and repayable on demand. The remaining amount due to Turbo Link Trading Limited is unsecured, interest-bearing at 3% per annum and repayable on demand.

(d) The carrying amounts of the Group's trade and other payables are approximated to their fair values.

26. Bank Borrowings

	2017 HK$'000	2016 HK$'000
Bank borrowings	**18,695**	20,077

	2017 HK$'000	2016 HK$'000
Within a period not exceeding one year	**12,789**	20,077
Within a period of more than one but not exceeding five years	**5,906**	—
Bank borrowings	**18,695**	20,077
Portion classified as current liabilities	**(12,789)**	(20,077)
Non-current portion	**5,906**	—

Notes:

i. As at 31 March 2016, a factoring loan of approximately HK$4,000,000 was secured by (1) A registered assignment of receivables and charge over proceeds, (2) Unlimited corporate guarantee from a related company, (3) Unlimited personal guarantee from a shareholder, and (4) A charge over Securities and Deposits charging a shareholder. During the year ended 31 March 2017, the bank loan was fully repaid.

Interest on the factoring loan is 1.85% p.a. below best lending rate.

ii. As at 31 March 2017, a term loan of HK$6,500,000 was secured by the Group's pledged bank deposit. Fixed deposit placed and pledged for an amount not less than HK$6,500,000 together with interest accrued thereon in the name of Mr. Chu Shu Cheong. Interest on the term loan is 2.5% per annum.

iii. As at 31 March 2017, 2 term loans of RMB5,000,000 each were secured by the Company's subsidiary's corporate guarantee, Company's subsidiary's director's personal guarantee and his personal deposit. Interest on the term loans ranging from 5.37% to 6% per annum.

27. Obligations under Finance Leases

The rights to the leased assets are reverted to the lessors in the event of default of the lease liabilities by the Group.

	2017 HK$'000	2016 HK$'000
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**21,545**	32,272
Later than 1 year and no later than 5 years	**5,790**	23,790
	27,335	56,062
Future finance charges on finance leases	**(574)**	(1,792)
	26,761	54,270

The present value of finance lease liabilities is as follows:

	2017 HK$'000	2016 HK$'000
No later than 1 year — current	**21,068**	30,982
Later than 1 year and no later than 5 years — non-current	**5,693**	23,288
	26,761	54,270

Certain of Group's plant and machinery and motor vehicles are held under finance leases (note 13). The lease terms are 1–4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The above finance leases carry interest at the rate per annum of 1.18%–3.95% (2016: 1.18%–3.95%).

The Group's obligation under finance leases were secured by the leased assets, corporate guarantees provided by a related company and a subsidiary of the Group, and unlimited personal guarantee and indemnity from a shareholder (as the case maybe).

28. Other Loans

The other loans are secured by: (i) personal guarantee by a shareholder and director of the company; (ii) corporate guarantee given by the Company; (iii) the trade receivables of a subsidiary of the Company and (iv) 100% equity of another subsidiary of the company. The other loan bears effective interest rate of 2.5% per month.

29. Deferred Income

Deferred income of the Group mainly represented government subsidies received in respect of the Group's construction of kitchen waste treatment plants in the PRC. These subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the relevant assets.

30. Deferred Tax Liabilities

The followings are the major deferred liabilities recognised by the Group:

	Accelerated tax depreciation HK$'000	**Provision** HK$'000	**Service concession revenue** HK$'000	**Total** HK$'000
At 31 March 2015	(14,696)	80	—	(14,616)
Credited/(charged) to profit or loss for the year (note 10)	(9,190)	189	—	(9,001)
At 31 March 2016	(23,886)	269	—	(23,617)
Charged to profit or loss for the year (note 10)	(1,416)	(5)	(20,120)	(21,541)
Exchange adjustment	—	—	516	516
At 31 March 2017	(25,302)	264	(19,604)	(44,642)

31. Share Capital

	2017		2016	
	Number of ordinary shares '000	**Nominal value HK$'000**	Number of ordinary shares '000	Nominal value HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
As at 1 April	**2,000,000**	**200,000**	2,000,000	200,000
As at 31 March	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
As at 1 April	**400,000**	**40,000**	400,000	40,000
Issue of shares by subscription (note a)	**80,000**	**8,000**	—	—
Issue of shares upon:				
Placing of shares (note b)	**18,983**	**1,898**	—	—
As at 31 March	**498,983**	**49,898**	400,000	40,000

Notes:

(a) The increase in share capital was resulted from the subscription and allotment of 80,000,000 new shares of the Company at HK$2.10 per share in August 2016, details of which are set out in the Company's announcements dated 25 July 2016, 4 August 2016, 10 August 2016 and 16 August 2016.

(b) On 14 December 2016, the Company allotted and issued of 18,983,000 consideration shares at the issue price of HK$2.66 per consideration shares in accordance with the terms and conditions of the Acquisition Agreement of Clear Industry Company Limited, details of which are set out in the Company's announcement dated 2 November 2016 and 14 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Share Option Scheme

On 26 August 2014, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant option to (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any substantial shareholder of any member of the Group; and (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, and for the purposes of the Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants.

The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board (or as the case may be, the independent non-executive directors) from time to time on the basis of the Participant's contribution or potential contribution to the development and growth of the Group.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

At the time of adoption by the Company of the Share Option Scheme or any share option scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the scheme, and the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 1% of the total number of shares in issue as at the date of approval of the Share Option Scheme which is expected to be 40,000,000 shares.

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Scheme.

The Share Option Scheme was adopted for a period of 10 years commencing from 26 August 2014 and will remain in force until 25 August 2024 unless terminated earlier by the shareholders of the Company in general meeting.

32. Share Option Scheme (Continued)

The movement of share option granted during the year is as follows:

Category of participants	Date of grant	Exercisable period	Exercise price	Granted during the year and outstanding of 31 March 2017
			HK$	
Directors	24 October 2016	24 October 2016 to 23 October 2019	2.58	19,350,000
Other employees and consultants	24 October 2016	24 October 2016 to 23 October 2019	2.58	20,650,000
				40,000,000

The Group recognised a share option expenses of HK$18,940,000 in respect of the share option granted during the year.

The fair value of the share option granted during the year was calculated using the binomial pricing model. The inputs into the model are as follows:

Share price	2.58
Exercise price	2.58
Expected volatility	29.05%
Expected life	3 years
Risk free rate	0.57%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical volatility of the shares of the Company.

The expected life used in the model is the time to expiry of the option.

Risk-free rate adopted in the model was based on a 3 year exchange fund note yield.

The expected dividend yield is with reference to the management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Business Combinations

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year as at their respective dates of acquisition are set out as follows:

	2017		
	Clear Industry Company Limited and its subsidiaries HK$'000	Taiyuan HK$'000	Total HK$'000
Property, plant and equipment	1,719	169	1,888
Operating concession	21,882	5,835	27,717
Receivables under service concession arrangements	9,753	18,630	28,383
Inventories	7,808	42	7,850
Bank balances and cash	2,139	329	2,468
Trade and other receivables	14,665	5,899	20,564
Trade and other payables	(28,962)	(624)	(29,586)
Bank borrowings	(6,598)	—	(6,598)
Other loan	—	(3,638)	(3,638)
Total identifiable net assets at fair value	22,406	26,642	49,048
Non-controlling interests	(11,792)	—	(11,792)
	10,614	26,642	37,256
Goodwill on acquisition	90,982	23,927	114,909
	101,596	50,569	152,165
Satisfied by:			
Cash	51,101	50,569	101,670
Issue of consideration share	50,495	—	50,495
	101,596	50,569	152,165
Revenue for the year since acquisition	108,657	315,089	423,746
Profit for the year since acquisition	16,157	46,871	63,028
Consideration	(101,596)	(50,569)	(152,165)
Cash and cash equivalents acquired	2,139	329	2,468
Issue of consideration share	50,495	—	50,495
Outstanding cash consideration at end of year	9,181	3,379	12,560
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(39,781)	(46,861)	(86,642)

33. Business Combinations (Continued)

Notes:

(a) Business combinations during the year ended 31 March 2017 include, inter alia, the following material transactions:

(i) in November 2016, the Group entered into an acquisition agreement to acquire 51% of the issued share capital of Clear Industry Company Limited ("Clear Industry"), the holding company of Suzhou Clear Industry, Loudi Fangsheng and Clear Industry (Shanghai), at a consideration of RMB87,975,000 (approximately HK$100,990,000).

(ii) During the Period, the Group completed the acquisition of 100% equity interest in Taiyuan Tianrun Bioenergy Co., Ltd.* (太原天潤生物能源有限公司) ("Taiyuan Tianrun") at a consideration of RMB43,447,500.

34. Note to the Consolidated Statement of Cash Flows

Major non-cash transactions

For the year ended 31 March 2017, the Group acquired property, plant and equipment at cost of approximately HK$26,424,000, of which approximately HK$4,875,000 (2016: at cost of approximately HK$40,222,000 of which HK$35,445,000) were financed by finance leases arrangement as set out in note 27 to the consolidated financial statements.

35. Banking Facilities

As at 31 March 2017, the Group had aggregate banking facilities of approximately HK$209,555,000 (2016: HK$209,326,000) of which approximately HK$138,493,000 (2016: HK$151,056,000) were utilised as at the same date. These facilities are secured by (1) a registered assignment of receivables and charge over proceeds, (2) unlimited corporate guarantee from a related company, (3) unlimited personal guarantee from a shareholder, (4) a charge over Securities and Deposits charging a shareholder, (5) various hire purchase agreement, and (6) vehicle pledged for hire purchase in the name of one of the Group's subsidiary. Our Group's banking facilities do not have material covenants from a shareholder.

36. Commitments

(a) Operating lease commitments — Group as lessee

During the year, the Group leased certain of its offices under non-cancellable operating lease agreements. The lease terms are negotiated for an average term of 4 years and rental are fixed over the lease terms and do not include contingent rentals.

At the end of the reporting period, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
No later than 1 year	6,013	4,095
Later than 1 year and no later than 5 years	7,103	5,706
	13,116	9,801

36. Commitments (Continued)

(b) Capital Commitments

In addition to the operating lease commitments detailed in note 36(a) above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for		
New service concession arrangements on:		
BOT basis	**112,398**	—
Acquisition of subsidiaries	**150,432**	—
	262,830	—

37. Contingent Liabilities

(a) Performance bonds

Performance bonds have been issued by banks as the Group has major construction contracts with customers and the bonds are for the performance guarantee for the provision of works for such projects. At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Group.

As at 31 March 2017, the amount of outstanding performance bond was approximately HK$91.5 million (2016: HK$91.6 million).

The performance bond was secured by unlimited corporate guarantees provided by the related company.

(b) Litigation

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

38. Events after the Reporting Period

a) On 19 June 2017, the Group entered into the joint venture agreement with Hanzhong Urban Construction Investment Development Co., Ltd for the formation of the joint venture company.

The joint venture company will principally engagement in kitchen waste treatment and development and production of renewable energy from kitchen waster upon the commencement of a service concession agreement and the formal commencement of business.

Up to the date of this report, the formation has not completed, details of which are set out in the Company's announcement dated 19 June 2017.

b) Reference made to the announcement of the Company dated 23 January 2017 and 31 March 2017 in relation to the acquisition of equity interest in and the capital injection into Hefei Feifan Bio Technology Co., Ltd.

All the conditions precedent have been fulfilled or waived in accordance with the terms and conditions of the Acquisition Agreement and the Completion of the capital injection agreement took place on 1 June 2017.

c) On 27 April 2017, the Company as purchaser entered into the Framework Agreement with Shanghai Fuji Investment Co., Ltd in respect of the acquisition 100% equity interest of Beijing TDR Environ-Tech Co., Ltd which was pledged to the Heilongjiang Interchina Water Treatment Co., Ltd.

Up to the date of this report, the acquisition has not completed, details of which are set out in the Company's announcement dated 27 April 2017.

d) Reference is made to the Company's announcement dated 23 March 2016, 6 April 2016, 30 May 2016 and 21 September 2016 in relation to the acquisition of 49% equity interest in PT. Dempo Suber Energi.

e) Reference is made to the announcement made by the Company dated 27 February 2017 in relation to the issue of unlisted warrants.

Subsequent to the entering into of the Warrants Subscription Agreement, the Company and the Subscriber have renegotiated certain terms of the Warrants Subscription Agreement, but have yet to reach a conclusion by the Long Stop Date. As such, the Warrants Subscription Agreement has automatically lapsed and become null and void against the Company and the Subscriber.

The Directors consider that the lapse of the Warrants Subscription Agreement does not have any material adverse effect on the business operation and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Financial Information of the Company

Statement of financial position

As at 31 March 2017

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	390	390
Deposit paid	826	826
	1,216	1,216
Current assets		
Prepayments	469	318
Amounts due from subsidiaries	456,531	228,544
Bank balances and cash	123	20,301
	457,123	249,163
Current liabilities		
Other payables	2,526	2,241
Amounts due to subsidiaries	170,744	170,750
	173,270	172,991
Net current assets	283,853	76,172
NET ASSETS	285,069	77,388
Capital and reserves		
Share capital	49,898	40,000
Reserves (note)	235,171	37,388
TOTAL EQUITY	285,069	77,388

Approved by the board of directors on 29 June 2017.

Zhu Yongjun	**Cai Jianwen**
Director	*Director*

39. Financial Information of the Company (Continued)

Statement of financial position (Continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 March 2015 and 1 April 2015	52,118	—	(11,773)	40,345
Loss and total comprehensive expenses for the year	—	—	(2,957)	(2,957)
Balance at 31 March 2016 and 1 April 2016	52,118	—	(14,730)	37,388
Issue of ordinary shares	207,734	—	—	207,734
Equity-settled share option arrangement	—	18,940	—	18,940
Loss and total comprehensive expenses for the year	—	—	(28,891)	(28,891)
Balance at 31 March 2017	259,852	18,940	(43,621)	235,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Particulars of Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2017 are set out below:

Name	Country of operation/ incorporation	Date of incorporation	Principal activities	Registered/ Paid up capital	Equity interest held 31 March 2017
Directly held:					
Dynamic Premier Limited	British Virgin Islands ("BVI")	29 October 2015	Investment holding	US$50,000/ US$50,000	100%
New Twins Enterprises Limited	BVI	1 July 2015	Investment holding	US$50,000/ US$1	100%
Indirectly held:					
New Expansion Global Limited	BVI	25 March 2014	Investment holding	US$50,000/ US$1,001	100%
New Expansion Holdings Limited	BVI	25 March 2014	Investment holding	US$50,000/ US$1,001	100%
New Concepts Foundation Limited	Hong Kong	10 September 1997	General building and foundation works	HK$14,000,000/ HK$14,000,000	100%
New Concepts Engineering Development Limited	Hong Kong	30 July 1996	Civil engineering construction and general building works	HK$10,700,000/ HK$10,700,000	100%
New Concepts Trading Company Limited	Hong Kong	15 January 2016	Sales of construction material	HK$10,000/ HK$10,000	100%
Major Bravo Limited	BVI	6 January 2016	Investment holding	US$50,000/ US$50,000	100%
Prime World Limited	Hong Kong	30 October 2015	Investment holding	HK$10,000/ HK$10,000	100%
Prime World (Tianjin) Environmental Protection Technology Limited	PRC	30 December 2015	設計,建設環境治理設施;上述有關技術及產品的開發,生產,銷量,並提供相關的技術諮詢服務;環保設備的批發,零售及佣金代量(拍賣除外)	RMB 110,000,000/ RMB 65,000,000	100%
Progressive Merit Limited	BVI	30 October 2015	Investment holding	US$50,000/ US$50,000	100%
Stand Ascent Limited	Hong Kong	30 October 2015	Inactive	HK$10,000/ HK$10,000	100%
PW Hong Kong AB	Sweden	1 March 2016	Inactive	SEK200,000/ SEK50,000	100%

40. Particulars of Subsidiaries (Continued)

Name	Country of operation/ incorporation	Date of incorporation	Principal activities	Registered/ Paid up capital	Equity interest held 31 March 2017
Indirectly held: (Continued)					
Great Rich (China) Limited	Hong Kong	13 January 2017	Investment holding	HK$10,000/ HK$10,000	100%
Memsys Water Technologies GmbH	Germany	24 October 2016	Develop, produce and distribute of components and installations for the separation of liquids and solutions	EUR25,000/ EUR25,000	100%
Premier Dynamic Holdings Limited	BVI	22 April 2016	Investment holding	US$50,000/ US$50,000	100%
Fancy Ascent Limited	Hong Kong	15 April 2016	Investment holding	HK$10,000/ HK$10,000	100%
婁底市方盛環保科技有限公司	PRC	5 May 2009	Kitchen waste treatment	RMB 45,000,000/ RMB 38,400,000	100%
太原天潤生物能源有限公司	PRC	11 April 2011	Kitchen waste treatment	RMB 120,000,000/ RMB 120,000,000	100%
蘇州愷利爾環保科技有限公司	PRC	3 February 2015	環保科技開發、技術轉讓；環保工程、綠化工程施工；環保設備，淨化過濾材料的銷售；環保設備的安裝和技術服務	RMB 50,000,000/ RMB 5,000,000	51%
清勤水處理科技（上海）有限公司	PRC	11 June 2009	水處理設備、環保設備的研發、生產、銷售及安裝，能源科技及環境保護科技專業領域內的技術咨詢、技術服務，從事貨物與技術的進出口業務，環境污染處理專用試劑的銷售	RMB 10,800,000/ RMB 10,800,000	51%

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000	Year ended 31 March 2014 HK$'000	Year ended 31 March 2013 HK$'000
RESULTS					
Revenue	**1,239,809**	1,411,799	780,854	463,021	230,425
Profit before income tax	**93,178**	61,878	68,654	60,929	27,526
Income tax expenses	**(36,252)**	(12,163)	(15,302)	(10,326)	(4,512)
Profit for the year	**56,926**	49,715	53,352	50,603	23,014
Profit for the year attributable to:					
— Owners of the Company	**47,610**	49,715	53,352	50,603	23,014
— Non-controlling interests	**9,316**	—	—	—	—
	56,926	49,715	53,352	50,603	23,014
ASSETS AND LIABILITIES					
Total assets	**1,430,759**	863,597	419,878	162,520	133,435
Total liabilities	**(930,301)**	(652,305)	(264,053)	(113,150)	(82,212)
Net assets	**500,458**	211,292	155,825	49,370	51,223
Equity attributable to:					
— Owners of the Company	**479,572**	211,292	155,825	49,370	51,223
— Non-controlling interests	**20,886**	—	—	—	—
	500,458	211,292	155,825	49,370	51,223